JORGENSEN EARLE M CO /DE/
Form 424B4
April 15, 2005
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-119434

17,600,000 Shares

Earle M. Jorgensen Company

Common Stock

This is an initial public offering of shares of common stock of Earle M. Jorgensen Company. All of the shares of common stock are being sold by the company.

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on The New York Stock Exchange under the symbol JOR.

To the extent that the underwriters sell more than 17,600,000 shares of common stock, the underwriters have the option to purchase up to an additional 2,640,000 shares from us at the initial public offering price less the underwriting discount.

Investing in our common stock involves risks. See Risk Factors on page 11.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Earle M. Jorgensen Company
Per Share	$10.00	$0.675	$9.325
Total	$ 176,000,000	$ 11,880,000	$ 164,120,000

The underwriters expect to deliver the shares against payment in New York, New York on April 20, 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston **Goldman, Sachs & Co.**

Citigroup

ABN AMRO Rothschild LLC

William Blair & Company

CIBC World Markets

The date of this prospectus is April 14, 2005.

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You should rely only on the information contained in this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

Until May 9, 2005, all dealers that buy, sell or trade in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

This prospectus includes market share and industry data that we have obtained from internal company surveys, market research, consultant surveys, publicly available information and various industry publications. Industry surveys, publications and consultant surveys generally state

that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of such information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal company surveys, industry forecasts and market research, which we believe to be reliable based upon management s knowledge of the industry, have not been verified by any independent sources. Except where otherwise noted, statements regarding our position relative to our competitors or as to market share refer to recently available data.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the Risk Factors section and our consolidated financial statements and the notes to those financial statements, before making an investment decision. In this prospectus, unless the context requires otherwise, (1) the terms EMJ, Earle M. Jorgensen, we, us and our refer to Earle M. Jorgensen Company and its subsidiaries, and (2) the term Holding refers to Earle M. Jorgensen Holding Company, Inc. EBITDA is defined and discussed in footnote 7 under the heading Summary Consolidated Financial and Other Data. Our fiscal year ends March 31 of each applicable year.

Earle M. Jorgensen Company

Overview

We are a leading distributor of metal bar and tubular products used by North American manufacturing companies and have been in business for over 80 years. We purchase over 25,000 different metal products in large quantities from primary producers, including a broad mix of carbon, alloy and stainless steel and aluminum bar, tubular and plate products. We sell these metal products in smaller quantities to over 35,000 customers spanning various industries, including machine tools, industrial equipment, transportation, fluid power, oil, gas and energy, fabricated metal, and construction and agricultural equipment. We distribute our broad range of metal products and provide our customers value-added metal processing and inventory management services from our distribution network of 35 strategically located service and processing centers in the United States and Canada.

Our metal processing services consist of cutting to length, burning, sawing, honing, shearing, grinding, polishing and performing other similar services on most of the metal products we sell, all to customer specifications. As part of our inventory management services, we schedule deliveries in the quantities and at the times required by just-in-time manufacturing processes employed by a growing number of leading manufacturing companies and provide our customers with an on-time product delivery guarantee.

In the 12 months ended December 31, 2004, we had revenues of $1,474.7 million, net income of $62.9 million and EBITDA of $139.9 million. During fiscal 2004 and the first nine months of fiscal 2005, we handled approximately 7,900 and 8,100 sales transactions per business day, respectively, at an average sale price of approximately $520 and $750 per transaction, respectively.

During the past several years, we have focused our management efforts on automating and reconfiguring our facilities to increase workflow, enhancing our information management systems to improve customer service, and streamlining our management structure, reducing headcount and decreasing corporate overhead to reduce costs. We believe that our efficient operating structure enables us to achieve gross profit per employee levels that are considerably higher than those of our major competitors. From the end of fiscal 1998 to December 31, 2004, we reduced our total headcount by approximately 23% to 1,693 employees. Comparing fiscal 1998 to the 12 months ended December 31, 2004, we increased our tons shipped per employee by approximately 89% to 467 in the 12 months ended December 31, 2004 and EBITDA per employee by approximately 190% to $84,824 in the 12 months ended December 31, 2004, based on the average number of employees in the applicable period.

Industry Overview

Metals service centers function as key intermediaries between the metals producers that desire to sell large volumes to few customers and the end-users that need specific products in smaller quantities. The metals

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distribution industry is fragmented, with approximately 1,300 participants throughout North America, the largest of which represented less than 5% of estimated industry sales in North America of $50 billion in 2003. The industry includes both general-line distributors, like us, that handle a wide range of metal products and specialty distributors that specialize in particular categories of metal products. The bar and tubular products that are our core products tend to be sold in smaller quantities, with shorter lead times and at higher gross margins than flat products, such as sheet and plate. We believe that a low-cost position coupled with excellent customer service, including breadth and availability of product offerings, timely and reliable delivery and responsiveness to customer needs, are the critical success factors that differentiate between various service centers. For example, metals end-users are increasingly moving to lean manufacturing models that require metal products to be delivered to them on an as-needed basis. This has increased these end-users need for service centers that can meet their delivery requirements by maintaining an extensive inventory of available metal products.

Competitive Strengths

Excellent Product Selection and Service. We are a recognized leader in the metals service center industry, with an excellent reputation for quality and service built over our 80 years of operation. We have an extensive inventory of core products, including one of the most extensive lines of bar and tubular products in North America. Over the last several years, we have further enhanced our reputation by implementing a program for our customers in which we guarantee on-time delivery of our products or they are free. This program, which we believe is unique among our major competitors in North America, has been very successful, with on-time performance of approximately 99% since its inception in 1999. Our broad network of service and processing centers and our proprietary information management systems have been critical to our ability to guarantee our service.

Excellent Supplier Relationships. We believe we are one of the largest purchasers of steel bars and tubing in North America and one of the leading distribution customers in our core products for each of our major suppliers. These supplier relationships enable us to better meet our customers demands for metals during periods of tight supply, such as the one our industry is currently experiencing.

Broad Network of Strategically Located Facilities and Diverse Customer Base. Our 35 service and processing centers are strategically located throughout North America, generally within one day s delivery time to almost all U.S. manufacturing centers. Our broad service network enables us to provide services to national customers with multiple locations, as well as to smaller single-site customers. We serve more than 35,000 customers across a broad range of industries, with no single customer accounting for more than 2% of our revenues in fiscal 2004 or the first nine months of fiscal 2005. Our ten largest customers represented approximately 10% of our revenues in fiscal 2004, and the average length of these customer relationships was approximately 14 years.

Focus on Information Management Systems. Through our proprietary information management systems, we track and allocate inventory among all of our locations, maintain high levels of customer service through better order and product reference data and monitor our operating results. We track our entire inventory on a real-time basis through our information management systems, which allows our salespeople and operating employees to have visibility into in-process orders and enables us to meet our on-time delivery guarantee.

Warehouse Automation. We completed the installation of an automated inventory storage and retrieval system in our largest facility, which is located in Chicago, in the third quarter of fiscal 2004. This fully operational system, which we refer to as the Kasto system, allows us to streamline order filling and improve employee productivity, resulting in reduced material handling and processing costs and increased order fill rates. For example, warehouse cost per ton at our Chicago facility, which services regional customers and also supplies products to all of our other service centers, has decreased approximately 17.1% from $96.33 in the second

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quarter of fiscal 2004, the quarter immediately preceding the completion of the automated warehouse system s installation, to $79.86 in the first nine months of fiscal 2005.

Experienced Management Team. Our senior management team has an average of 29 years of industry experience. Our chief executive officer, Maurice S. Nelson, Jr., has spent over 42 years in the metals industry with us and at Inland Steel Company and Alcoa Inc. Mr. Nelson was named the Service Center Executive of the Year for 2001 by Metal Center News and served as chairman of the Metal Service Center Institute during the 2002-2003 term.

Operating and Growth Strategy

Focus on Core Products. We believe our purchasing volumes for our core bar and tubular products enable us to achieve among the lowest available product acquisition costs for these products among metals service centers in North America. We believe we can grow our market share and increase profitability by continuing to focus our marketing efforts on our core products and capitalizing on our procurement advantage. We intend to leverage our strength in our core products to enable us to establish competitive advantages in our local markets as well as to allow us to successfully compete for larger national programs with customers.

Focus on Timely and Reliable Delivery and Value-Added Services. We believe our guarantee to provide on-time delivery service will continue to differentiate us from our competition and enable us to increase our market share. In addition, we seek to increase our margins and grow our market share by complementing our metal product sales efforts with value-added services, such as inventory management and processing activities, including our special stocking programs and cutting and honing operations.

Expand Satellite Operations. We believe a key aspect of serving our current customers and acquiring new customers is having a physical presence in markets that require our products and services. Accordingly, we have been implementing a strategy to target those geographic areas where we can justify opening a satellite location. These locations are managed locally by warehouse and delivery personnel, stock a limited inventory of core products and require minimal initial and maintenance capital expenditures, resulting in a low-cost opportunity to serve select markets. Each satellite operation is supported by inventory, inside salespeople and the general management of one of our larger service centers. During the past 18 months, we have opened satellite facilities in Orlando, Florida and northern Ontario and have recently relocated our successful Chattanooga, Tennessee satellite facility to a larger new satellite facility in Birmingham, Alabama. We continue to evaluate additional satellite locations and expect to open a satellite facility in Spokane, Washington in May 2005.

Maintain Technology Leadership. We have made and will continue to make investments in technology in order to differentiate our capabilities from those of our competitors. We intend to continue to enhance our information management systems by upgrading software and hardware to improve the connectivity, stability and reliability of these systems, which will help us continue to improve our customer service. To further improve our productivity and efficiency, we are expanding the automated warehouse system in our Chicago facility and also evaluating the implementation of the system in our other facilities.

General Corporate Information

We were formed on May 3, 1990, when affiliates of Kelso & Company, L.P., a private investment firm, acquired control of and combined two leading metals distributors, Earle M. Jorgensen Company (founded in 1921) and Kilsby-Roberts Holding Co. (successor to C.A. Roberts

Company, founded in 1915). In connection with the combination of these two companies, we became a wholly owned subsidiary of Earle M. Jorgensen Holding Company, Inc., or Holding. Holding has no operations and no significant assets other than our common stock. After the consummation of the financial restructuring transaction described below under Transaction Related to this Offering, Holding will cease to exist and the noteholder and stockholders of Holding will become stockholders of EMJ. However, we have included the consolidated financial statements of Holding in

this prospectus because the financial restructuring will be accounted for in a manner similar to a pooling-of-interests because it constitutes a transfer of assets and exchange of shares between entities, EMJ and Holding, under common control and, therefore, the financial position and results of operations of Holding will be included in our consolidated financial statements on a historical basis.

Our principal executive offices are located at 10650 Alameda Street, Lynwood, California 90262, and our telephone number there is (323) 567-1122. Our web site is located at www.emjmetals.com. The information on our web site is not a part of this prospectus.

Transaction Related to this Offering

This offering is related to a financial restructuring transaction, which we refer to as the financial restructuring, pursuant to which Holding will be merged into a wholly owned subsidiary of EMJ, resulting in the following:

- the exchange of all of Holding s senior notes, or the Holding notes, including interest accrued through September 29, 2004, for cash and shares of EMJ common stock;
- the conversion of all outstanding shares of Holding series A preferred stock, including dividends accrued through September 29, 2004, into cash and shares of EMJ common stock;
- the conversion of all outstanding shares of Holding series B preferred stock (all accumulated dividends have been paid in-kind through September 29, 2004) into cash and shares of EMJ common stock;
- the conversion of all outstanding shares of Holding common stock into an equal number of shares of EMJ common stock;
- the exchange of all outstanding warrants to purchase shares of Holding common stock for shares of EMJ common stock; and
- our assumption of the obligations of Holding to issue 3,053,668 shares of Holding common stock under all outstanding Holding stock options. These options will become exercisable for an equal number of shares of EMJ common stock at the same exercise prices and on the same terms and conditions as provided in the Holding stock option agreements and stock option plan.

Completion of the financial restructuring is conditioned upon, among other things, the consummation of this offering, which itself is conditioned upon and will occur on the same day as the completion of the financial restructuring.

We will issue the following amounts of EMJ common stock and pay the following amounts of cash to holders of Holding notes, Holding series A preferred stock and Holding series B preferred stock upon consummation of the financial restructuring:

- 12,997,891 shares of EMJ common stock and $127.1 million in cash based on the $257.1 million aggregate amount of Holding notes outstanding as of the date of this prospectus (including interest accrued through September 29, 2004);

2,377,364 shares of EMJ common stock and $23.2 million in cash based on 57,573 outstanding shares of Holding series A preferred stock valued at approximately $47.0 million as of the date of this prospectus (including dividends accrued through September 29, 2004);

1,409,756 shares of EMJ common stock and $13.8 million in cash based on 27,882 outstanding shares of Holding series B preferred stock valued at approximately $27.9 million as of the date of this prospectus (all accumulated dividends have been paid in-kind through September 29, 2004);

11,197,122 shares of EMJ common stock based on 11,197,122 shares of Holding common stock outstanding as of the date of this prospectus; and

2,934,977 shares of EMJ common stock based on warrants to purchase 2,937,915 shares of Holding common stock outstanding as of the date of this prospectus.

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All of the shares of EMJ common stock issued in connection with the financial restructuring have been registered under the Securities Act on a registration statement on Form S-4 filed by EMJ. This means the shares issued pursuant to the financial restructuring will be freely tradable without restriction or further registration under the Securities Act, unless held by an affiliate as that term is defined in Rule 144 under the Securities Act or subject to the terms of the lock-up agreements, transfer restriction agreements or restrictions on transfer contained in the stock bonus plan described under the heading Shares Eligible for Future Sale.

To effect the financial restructuring, we have entered into (1) an agreement and plan of merger and reorganization, as amended, with Holding and a wholly owned subsidiary of EMJ and (2) an exchange agreement with Holding and Kelso Investment Associates, L.P., or KIA I, Kelso Equity Partners II, L.P., or KEP II, KIA III-Earle M. Jorgensen, L.P., or KIA III-EMJ, and Kelso Investment Associates IV, L.P., or KIA IV (collectively known as the Kelso funds). The Holding stockholders approved and adopted the merger agreement and approved the financial restructuring at a special meeting of stockholders held on April 13, 2005.

As of the date of this prospectus, the Kelso funds and other Kelso affiliates, including one of our directors, hold 8,259,799 shares of Holding common stock, which represents 73.8% of the issued and outstanding shares of Holding common stock, and 24,519 shares of Holding series A preferred stock, which represents 42.6% of the issued and outstanding shares of Holding series A preferred stock. Pursuant to the exchange agreement, the Kelso funds voted all of the Holding capital stock owned by them in favor of the merger agreement and the financial restructuring. As of the date of this prospectus, KIA IV also holds approximately $257.1 million of the Holding notes (including accrued but unpaid interest) and warrants to purchase 2,937,915 shares of Holding common stock, which represent all of the outstanding Holding notes and all of the outstanding Holding warrants. Upon consummation of the financial restructuring and this offering, the Kelso funds and other Kelso affiliates will own 25,205,136 shares of our common stock, representing 52.0% of our issued and outstanding common stock, and receive $136,990,097 in cash.

In connection with the consummation of the financial restructuring and this public offering, we (1) have agreed to contribute up to 2,461,547 shares of our common stock to our stock bonus plan and pay cash bonuses of $1,056,465 in the aggregate to participants who are no longer employed by us in connection with the amended United States Department of Labor consent order for our stock bonus plan that was entered by the court on January 3, 2005 and (2) have committed to pay a taxable public offering bonus to our employees on the closing date who are also participants in our stock bonus plan in an aggregate amount of $8.5 million, as described under the headings Business Legal Proceedings U.S. Department of Labor and Management Public Offering Bonus Plan.

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The Offering

Common stock offered by us	17,600,000 shares
Common stock to be outstanding after this offering	48,517,110 shares
Use of proceeds	We intend to use the net proceeds from this offering to pay the cash portion of the consideration for the Holding notes, the Holding series A preferred stock and the Holding series B preferred stock.
Dividend policy	We do not anticipate paying cash dividends on our common stock in the foreseeable future.
New York Stock Exchange symbol	JOR
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors that you should carefully consider before investing in our common stock.

The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of the date of this prospectus. This number and, unless otherwise indicated, the information in this prospectus:

- excludes 3,053,668 shares of common stock issuable upon the exercise of stock options outstanding under the Holding stock option plan that will become exercisable for our common stock upon consummation of the financial restructuring, at a weighted average exercise price of $3.35 per share;
- excludes 2,425,856 shares of common stock reserved and available for issuance under our stock incentive plan as of the date of this prospectus, which equals 5% of the aggregate number of shares of our common stock that will be outstanding upon completion of the financial restructuring and this offering and which includes the 50,000 shares issuable upon exercise of options that we granted to certain of our non-officer directors on the date of this prospectus;
- reflects the exchange of the Holding notes for 12,997,891 shares of common stock and cash upon consummation of the financial restructuring;
- reflects the conversion of the Holding series A preferred stock into 2,377,364 shares of common stock and cash upon consummation of the financial restructuring;
- reflects the conversion of the Holding series B preferred stock into 1,409,756 shares of common stock and cash upon consummation of the financial restructuring;

reflects the conversion of the Holding common stock into 11,197,122 shares of common stock upon consummation of the financial restructuring;

reflects the exchange of the Holding warrants for 2,934,977 shares of common stock upon consummation of the financial restructuring;

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- does not reflect the 2,461,547 shares of common stock reserved for issuance to our stock bonus plan pursuant to our obligation to make a special contribution to the stock bonus plan in connection with the amended United States Department of Labor consent order entered on January 3, 2005, as described under Business Legal Proceedings U.S. Department of Labor; and

- assumes that the underwriters do not exercise their over-allotment option.

In the event that the underwriters over-allotment is not exercised in full upon closing of this offering, up to an aggregate of 348,680, 206,764 and 1,906,356 shares of common stock will be withheld from the holders of the Holding series A preferred stock, Holding series B preferred stock and Holding notes, respectively, until the earlier of (1) the exercise in full of the over-allotment and (2) the expiration of the 30 day period during which the over-allotment may be exercised. If the over-allotment is exercised in full during this period, each holder of the Holding series A preferred stock, Holding series B preferred stock and Holding notes, in lieu of receiving shares of common stock, will be paid $10.00 in cash per share of common stock it otherwise would have received. If the over-allotment is not exercised during this period or is exercised in part, the appropriate portion of common stock will be delivered to such holders promptly after the expiration of the 30 day period during which the over-allotment option may be exercised if they have returned their transmittal letter to the exchange agent.

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Summary Consolidated Financial and Other Data

The following table presents our summary consolidated financial and other data for the periods and as of the date presented below. We derived the data for the fiscal years ended March 31, 2002, 2003 and 2004 from our audited consolidated financial statements for those periods that are included in this prospectus. We derived the data for the fiscal years ended March 31, 2000 and 2001 from our audited consolidated financial statements for those periods that are not included in this prospectus. We derived the data for the nine months ended January 1, 2004 and December 31, 2004 and the data as of December 31, 2004 from our unaudited consolidated financial statements for those periods and as of that date that are included in this prospectus and, in the opinion of management, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our results of operations and financial position for those periods and as of that date. Results for the nine months ended December 31, 2004 are not necessarily indicative of results for the full fiscal year. We derived the data for the 12 months ended December 31, 2004 from our audited consolidated financial statements for the fiscal year ended March 31, 2004 and our unaudited consolidated financial statements for the nine months ended January 1, 2004 and December 31, 2004 that are included in this prospectus. You should read the following information along with Selected Consolidated Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes, each of which is included elsewhere in this prospectus.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
						January 1,	December 31,	December 31,
	2000	2001	2002	2003	2004	2004	2004	2004
	(dollars in thousands, except per share data)							
Statement of Operations Data:						(unaudited)		(unaudited)
Revenues	$ 938,252	$ 1,059,681	$ 895,058	$ 919,927	$ 1,040,367	$ 718,301	$ 1,152,589	$ 1,474,655
Costs of sales	662,803	767,263	641,991	658,562	754,266	518,394	828,735	1,064,607
Gross profit	275,449	292,418	253,067	261,365	286,101	199,907	323,854	410,048
Expenses(1)	208,058	228,542	204,713	210,277	216,629	154,970	220,091	281,750
Income from operations	67,391	63,876	48,354	51,088	69,472	44,937	103,763	128,298
Net interest expense(2)	41,595	44,855	42,545	47,206	51,093	38,205	40,534	53,422
Income before income taxes	25,796	19,021	5,809	3,882	18,379	6,732	63,229	74,876
Net income	23,987	17,798	5,354	2,382	15,252	5,284	52,932	62,900
Pro Forma Data:								
Unaudited pro forma net income (loss) available to common stockholders(3)	$ (5,174)	$ (14,270)	$ (33,263)	$ (42,389)	$ (34,190)	$ (28,035)	$ 25,672	$ 19,517
Unaudited pro forma net income (loss) available to common stockholders per share(3)(4)								
Basic	$ (0.41)	$ (1.14)	$ (2.69)	$ (3.59)	$ (2.96)	$ (2.42)	$ 2.26	$ 1.71
Diluted	$ (0.41)	$ (1.14)	$ (2.69)	$ (3.59)	$ (2.96)	$ (2.42)	$ 1.67	$ 1.35
Unaudited pro forma weighted average shares outstanding(4)								
Basic	12,519	12,548	12,365	11,820	11,555	11,593	11,365	11,381
Diluted	12,519	12,548	12,365	11,820	11,555	11,593	15,417	14,420
Unaudited pro forma net income available to common stockholders per share as adjusted(3)(5)								
Basic					$ 0.48		$ 1.69	
Diluted					$ 0.46		$ 1.63	
Unaudited pro forma weighted average shares outstanding as adjusted(5)								
Basic					31,548		31,358	
Diluted					32,975		32,476	
Cash Flow Data:								
Capital expenditures	$ 9,525	$ 14,475	$ 24,531	$ 15,335	$ 10,530	$ 6,781	$ 19,606	$ 23,355
Dividends paid(6)	13,372	5,514	14,963	35,587	5,781	4,762	9,866	10,885

Other Data (unaudited):								
EBITDA(7)	$ 77,342	$ 74,911	$ 59,803	$ 62,457	$ 80,756	$ 53,425	$ 112,543	$ 139,874
COLI effect(8)	(717)	(2,374)	(1,738)	(1,752)	(561)	(829)	(3,804)	(3,536)
Revenues per employee(9)	484	517	496	539	639	440	693	894
EBITDA per employee(7)(9)	40	37	33	37	50	33	68	85
Average number of employees	1,938	2,051	1,805	1,706	1,628	1,634	1,663	1,649
Tons shipped	601,532	679,610	581,243	603,310	662,213	463,986	571,065	769,292

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	December 31, 2004		
	Actual	Pro Forma(3)	Pro Forma As Adjusted(10)
		(in thousands) (unaudited)	
Balance Sheet Data:			
Cash and cash equivalents	$ 5,760	$ 6,133	$ 4,974
Total working capital	226,147	222,691	224,866
Total assets	628,051	629,107	627,948
Long-term debt	344,428	590,310	344,428
Total debt	346,748	592,630	346,748
Total stockholders equity (deficit)	8,605	(241,014)	6,193

(1) Expenses include restructuring charges aggregating $2,432, $3,320, and $1,861 for the fiscal years ended March 31, 2000, 2001 and 2002 in connection with workforce reductions and consolidations and losses from the sale of significant assets in those fiscal years and a special compensation charge of $2,000 in connection with a payment to our chief executive officer in fiscal 2001.

(2) Net interest expense includes amortization and write-off of debt issue costs aggregating $1,482, $1,482, $1,792, $1,416, $1,323, $992, $989 and $1,320 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively, net of interest income of $636, $1,179, $164, $83, $81, $67, $25 and $39 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively.

(3) The total pro forma adjustments to net income (loss) are approximately $(29,161), $(32,068), $(38,617), $(44,771), $(49,442), $(33,319), $(27,260) and $(43,383) for the fiscal years 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively. The adjustments consist of net interest expense for Holding, dividends accrued for the Holding series A preferred stock, dividends declared and paid in-kind for the Holding series B preferred stock and certain management fees charged to EMJ by Holding that are not eliminated in consolidation. The following table presents each of these adjustments for the applicable period.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
					(in thousands)			
						(unaudited)		(unaudited)
Holding interest, net	$ (22,718)	$ (25,096)	$ (29,888)	$ (35,280)	$ (38,834)	$ (25,382)	$ (21,442)	$ (34,894)
Preferred dividends	(6,478)	(7,016)	(8,758)	(9,518)	(10,628)	(7,958)	(5,818)	(8,488)
Management fees	35	44	29	27	20	21		(1)
Total	$ (29,161)	$ (32,068)	$ (38,617)	$ (44,771)	$ (49,442)	$ (33,319)	$ (27,260)	$ (43,383)

EMJ currently has 128 shares of common stock outstanding, all of which are held by Holding. For accounting purposes, our financial restructuring will be accounted for as a transfer of assets and exchange of shares between entities under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations and share data of Holding are included in the pro forma net income (loss) provided on a historical cost basis.

(4) The pro forma basic and diluted per share information is computed based on the weighted average number of shares of common stock outstanding for each reported period. The computation of pro forma diluted per share information includes the dilutive effect of common stock equivalents for outstanding options and warrants exercisable for shares of common stock using the treasury stock method. Upon consummation of the financial restructuring, all shares of Holding common stock will be converted to shares of EMJ common stock. The inclusion of common stock equivalents for all periods presented prior to the periods ended December 31, 2004 was antidilutive.

(5) Pro forma net income (loss) available to common stockholders per share information reflects our operations as if the financial restructuring occurred at the beginning of the reported periods. Therefore, the pro forma as adjusted basic per share information reflects per share information as discussed in note 4 and shares of EMJ common stock issuable upon consummation of the financial restructuring as follows: 13,101,547 shares for the Holding notes; 2,492,854 shares for the Holding series A preferred stock; 1,463,594 shares for the Holding series B preferred stock; and 2,934,977 shares for the Holding warrants. See Certain Relationships and Related Transactions Financial Restructuring for further discussion. The computation of pro forma as adjusted diluted per share information includes the dilutive effect of common stock equivalents for outstanding options exercisable for shares of common stock.

(6)

Represents dividends paid to Holding in connection with the repurchase of its capital stock from terminated EMJ employees, as required by the terms of Holding s stockholders agreement and our stock bonus plan. In fiscal 2003, we also paid a dividend to Holding of $25,000 to be used to repay a portion of the Holding notes.

(7) EBITDA represents net income before net interest expense, provision for income taxes and depreciation and amortization. Consistent with Item 10(e) of Regulation S-K promulgated under the Securities Act, our EBITDA has not been adjusted to exclude any other non-cash charges or liabilities, such as LIFO (last-in-first-out) adjustments of $(9,022), $887, $590, $(3,354), $14,343, $500, $42,505 and $56,348 and accruals for stock bonus plan contributions and postretirement benefits aggregating $2,862, $11, $249, $498, $619, $563, $611 and $667 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively. In addition, our EBITDA has not been adjusted for the following items: provisions for workforce reductions and consolidations and losses from the sale of significant assets aggregating

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$2,432, $3,320 and $1,861 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively; special compensation of $2,000 payable to our chief executive officer in fiscal 2001; excise tax of $1,919 related to an IRS settlement in fiscal 2002; and a loss of $12,278 related to early retirement of debt in fiscal 2003. We believe EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of company performance in our industry. Our management believes that EBITDA is useful in evaluating our operating performance between periods and compared to that of our competitors because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary between periods and for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a significant component when measuring our performance in connection with determining incentive compensation. EBITDA is not a recognized measure of operating income, financial performance or liquidity under U.S. generally accepted accounting principles. The items excluded from EBITDA are significant components in understanding and assessing financial performance. Therefore, while providing useful information, our EBITDA should not be considered in isolation or as a substitute for consolidated statement of operations and cash flows data prepared in accordance with U.S. generally accepted accounting principles and should not be construed as an indication of a company s operating performance or as a measure of liquidity. In addition, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA as presented for us may not be comparable to EBITDA reported by other companies. A reconciliation of net income to EBITDA for each of the respective periods indicated is as follows:

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended December 31,
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	2004
	(in thousands)							
Reconciliation of EBITDA:								
Net income	$ 23,987	$ 17,798	$ 5,354	$ 2,382	$ 15,252	$ 5,284	$ 52,932	$ 62,900
Depreciation and amortization	9,951	11,035	11,449	11,369	11,284	8,488	8,780	11,576
Net interest expense	41,595	44,855	42,545	47,206	51,093	38,205	40,534	53,422
Provision for income taxes	1,809	1,223	455	1,500	3,127	1,448	10,297	11,976
EBITDA	$ 77,342	$ 74,911	$ 59,803	$ 62,457	$ 80,756	$ 53,425	$ 112,543	$ 139,874

(8) We are the owner and beneficiary of life insurance policies on (1) all former non-union employees of a predecessor company, including certain current employees of EMJ, and (2) key man life insurance policies on certain current and former executives of EMJ. The effect of these company owned life insurance policies (COLI) on our pre-tax income consists of premium expense, policy dividend growth, and proceeds (death benefits) (which are reported as general and administrative expense) and policy interest expense on policy borrowings (which is reported as a component of interest expense). Under current U.S. federal tax law, the policy dividend growth is not currently taxable, the premium is non-deductible, the proceeds (death benefits) are tax exempt and the interest is deductible up to 96% of the contract rate.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended December 31,
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	2004
	(in thousands)							
Calculation of COLI effect:								
Cash surrender value policy dividend growth	$ 14,029	$ 13,010	$ 13,521	$ 17,156	$ 17,751	$ 12,411	$ 15,381	$ 20,721
Cash surrender value insurance premium	(2,101)	(2,217)	(2,325)	(2,866)	(3,081)	(2,544)	(2,756)	(3,293)
Proceeds (death benefits)		1,230	3,062	1,754	4,851	4,359	318	810
Total operating income impact of COLI	11,928	12,023	14,258	16,044	19,521	14,226	12,943	18,238

Cash surrender value interest	(12,645)	(14,397)	(15,996)	(17,796)	(20,082)	(15,055)	(16,747)	(21,774)
Total pre-tax income impact of COLI	$ (717)	$ (2,374)	$ (1,738)	$ (1,752)	$ (561)	$ (829)	$ (3,804)	$ (3,536)

(9) Calculated based on the average number of employees during the applicable period.

(10) Gives effect to (1) the receipt by us of the net proceeds from the sale of 17,600,000 shares of common stock at the initial public offering price of $10.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us; (2) the intended applications of the net proceeds of this offering, as set forth in Use of Proceeds; and (3) the consummation of the financial restructuring.

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. If any of the following circumstances described in these risk factors occurs, our business, financial condition or results of operations could be materially adversely affected. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business

The prices we pay for metals may fluctuate due to a number of factors beyond our control, which could adversely affect our operating results if we cannot pass on higher metal prices to our customers.

We purchase large quantities of carbon, alloy and stainless steel, aluminum and other metals, which we sell to a variety of end-users. The average price of metals that we purchase steadily increased during calendar 2004 at the rate of approximately 3.0% per month. These prices leveled off during the fourth quarter of fiscal 2005. While we anticipate that metal prices for the products we purchase will remain steady during the remainder of calendar 2005, the prices we pay for these metals and the prices we charge for our products may change depending on many factors outside of our control, including general economic conditions (both domestic and international), competition, production levels, import duties and other trade restrictions, currency fluctuations and surcharges imposed by our suppliers. For example, in the past year our suppliers have added various surcharges to the price of metals related to increases in the costs of scrap, energy, raw material and other inputs. These surcharges may or may not continue in the future and could be increased, decreased or eliminated by the suppliers that have imposed them.

Our service centers maintain substantial inventories of metal to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metal in quantities we believe to be appropriate to satisfy the anticipated needs of our customers based on information derived from customers, market conditions, historic usage and industry research. Our commitments for metal purchases are generally at prevailing market prices in effect at the time we place our orders or at the time of shipment. During periods of rising prices for metal, we may be negatively impacted by delays between the time of metal price increases and price increases in our products if we are unable to pass these increases on to our customers. In addition, when metal prices decline, customer demands for lower prices could result in lower sale prices for our products and, as we use existing inventory that we purchased at higher metal prices, lower margins. Consequently, during periods in which we use this existing inventory, the effects of changing metal prices could adversely affect our operating results.

We operate in an industry that is subject to cyclical fluctuations and any downturn in general economic conditions or our customers industries could negatively impact our revenues, gross profit and net income.

The metals service center industry is cyclical, impacted by both market demand and metals supply. Periods of economic slowdown or recession in the United States, Canada or other countries, or the public perception that these may occur, would decrease the demand for our products and adversely affect our pricing. For example, the general slowing of the economy in fiscal 2002 and fiscal 2003 adversely impacted our product sales and pricing. While we experienced significantly improved sales volumes and pricing in fiscal 2004 and in the first nine months of fiscal 2005, this trend may not continue. Changing economic conditions could depress or delay demand for our products, which could adversely affect our revenues, gross profit and net income.

We sell many products to industries that are cyclical, such as the industrial equipment, oil, gas and energy, construction and agricultural equipment, and transportation industries. The demand for our products is directly

related to, and quickly impacted by, demand for the finished goods manufactured by our customers in these industries, which may change as a result of the general U.S., Canadian or worldwide economy, domestic exchange rates, energy prices or other factors beyond our control. If we are unable to accurately project the product needs of our customers over varying lead times, we may not have sufficient inventory to be able to provide sought-after products on a timely basis. In addition, if we are not able to increase sales of products to customers in other industries when one or more of the cyclical industries that we serve is experiencing a decline, our revenues, gross profit and net income may be adversely affected.

The price of metals is subject to fluctuations in the supply and demand for metals worldwide and changes in the worldwide balance of supply and demand could negatively impact our revenues, gross profit and net income.

Metal prices are volatile due to, among other things, fluctuations in foreign and domestic production capacity, metals consumption and foreign currency rates. For example, in the past few years, China has significantly increased its consumption of metals and metal products. This large and growing demand for metals has significantly affected the metals industry, diverting supply to China and contributing to the recent increase in metal prices. If, in the future, China experiences a downturn in general economic conditions or increases its internal production of metals, its demand for metals produced outside of China could decrease. Such a decrease could cause a reduction in metal prices globally, which could adversely affect our revenues, gross profit and net income. Additionally, significant currency fluctuations in the United States or abroad could negatively impact our cost of metals and the pricing of our products. Recently, the decline in the dollar relative to foreign currencies resulted in increased prices for metals and metal products in the United States as imported metals became relatively more expensive. If, in the future, the dollar increases in value relative to foreign currencies, the domestic market may be more attractive to foreign producers, resulting in increased supply that could cause decreased metal prices and adversely affect our revenues, gross profit and net income.

We compete with a large number of companies in the metals service center industry, and if we are unable to compete effectively, our revenues, gross profit and net income may decline.

We compete with a large number of other general-line distributors and specialty distributors in the metals service center industry. Competition is based principally on price, inventory availability, timely delivery, customer service, quality and processing capabilities. Competition in the various markets in which we participate comes from companies of various sizes, some of which have greater financial resources than we do and some of which have more established brand names in the local markets we serve. Accordingly, these competitors may be better able to withstand changes in conditions within our customers industries and may have greater operating and financial flexibility than we have. To compete for customer sales, we may lower our prices or offer increased services at a higher cost to us, which could reduce our revenues, gross profit and net income.

If our customers, which are primarily North American manufacturing and industrial companies, relocate operations or outsource functions overseas, we would lose their business.

Our customer base is located in the United States and Canada and consists primarily of manufacturing and industrial companies. We do not currently operate facilities outside of North America. Therefore, in the event our customers relocate production operations or outsource particular functions overseas, we would lose their business, which could have an adverse effect on our revenues, gross profit and net income.

If we were to lose any of our primary suppliers or otherwise be unable to obtain sufficient amounts of necessary metals on a timely basis, we may not be able to meet our customers needs and may suffer reduced sales.

Because we have no long-term contracts to purchase metals, our primary suppliers of carbon, alloy and stainless steel, aluminum or other metals could curtail or discontinue their delivery of these metals to us in the

quantities we need. Our ability to meet our customers needs and provide value-added inventory management services depends on our ability to maintain an uninterrupted supply of metal products from our suppliers. If our suppliers experience production problems, lack of capacity or transportation disruptions, the lead times for receiving our supply of metal products could be extended and the cost of our inventory may increase. If, in the future, we are unable to obtain sufficient amounts of the necessary metals at competitive prices and on a timely basis from our traditional suppliers, we may not be able to obtain these metals from acceptable alternative sources at competitive prices to meet our delivery schedules. Even if we do find acceptable alternative suppliers, the process of locating and securing these alternatives may be disruptive to our business, which could have an adverse impact on our ability to meet our customers needs and reduce our sales, gross profit and net income. In addition, if a significant domestic supply source is discontinued and we cannot find acceptable domestic alternatives, we may need to find a foreign source of supply. Dependence on foreign sources of supply could lead to longer lead times, increased price volatility, less favorable payment terms and certain tariffs and duties.

Our business may be adversely affected by our on-time or free delivery guarantee if we are unable to deliver our products on a timely basis.

We provide customers with an on-time or free delivery guarantee. Therefore, significant disruptions to timely deliveries of our products could lead to increased customer credits, harm to our reputation and a loss of market share.

As a decentralized business, we depend on both senior management and our key operating employees; if we are unable to attract and retain these individuals, our ability to operate and grow our business may be adversely affected.

Because of our decentralized operating style, we depend on the efforts of our senior management, including our chief executive officer, Maurice S. Nelson, Jr., and key operating employees. We may not be able to retain these individuals or attract and retain additional qualified personnel when needed. Other than a retention agreement with Mr. Nelson whereby we have agreed to pay Mr. Nelson a bonus of $3.0 million if he continues to serve as our president and chief executive officer until March 31, 2007 or if his employment is terminated under certain circumstances, we do not have employment agreements with any of our officers or employees in the United States, which may mean they may have less of an incentive to stay with us when presented with alternative employment opportunities. In addition, our senior management and key operating employees hold stock options that have vested and common stock in our stock bonus plan. These individuals may, therefore, be more likely to leave us if the shares of our common stock significantly appreciate in value. The loss of any key officer or employee will require remaining officers and employees to direct immediate and substantial attention to seeking a replacement. Our inability to retain members of our senior management or key operating employees or to find adequate replacements for any departing key officer or employee on a timely basis could adversely affect our ability to operate and grow our business.

Damage to our computer infrastructure and software systems could harm our business.

The unavailability of any of our information management systems for any significant period of time could have a material adverse effect on our operations. In particular, our ability to deliver products to our customers when needed, collect our receivables and manage inventory levels successfully largely depends on the efficient operation of our computer hardware and software systems. Through our information management systems, we track and allocate inventory among all of our locations, improve customer service through better order and product reference data and monitor operating results. Difficulties associated with upgrades, installations of major software or hardware, and integration with new systems could lead to business interruptions that could harm our reputation, increase our operating costs and decrease our profitability. In addition, these systems are vulnerable to, among other things, damage or interruption from power loss, computer system and network failures, loss of telecommunications services, operator negligence, physical and electronic loss of data, or security breaches and computer viruses.

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We have outsourced the maintenance and operation of our hardware to a third-party service provider that also provides us with backup systems in the event that our information management systems are damaged. It is possible that the backup facilities and other protective measures we take could prove to be inadequate. Moreover, it is possible that an event or disaster at our service provider s facilities could materially and adversely affect our ability to meet our customers needs and the ability of each of our locations to operate efficiently.

Our business could be adversely affected by a disruption to our Chicago facility s operations.

During the first nine months of fiscal 2005, our Chicago facility processed and shipped an average of 2,355 inventory line items per day, or approximately 23% of the line items shipped from all of our facilities during that period. Our Chicago facility serves its regional customers and also supplies products to all of our other service centers. Therefore, any disruption to our operations at this facility could adversely impact the performance of our other service centers and impair our ability to deliver products and services to our customers throughout the United States on a timely basis. Our operations at the Chicago facility could be disrupted in the event of:

- damage to, or inoperability of, its automated warehouse system;
- a hardware or software error, failure or crash;
- a power or telecommunications failure; or
- fire, flood or other natural disaster.

Any disruption could damage our reputation, cause customers to cease purchasing metals from us and cause customers to incur substantial losses. We could be subject to claims or litigation with respect to these losses. Our property and business interruption insurance may not adequately compensate us for all losses we may incur.

If we do not successfully implement our satellite operations growth strategy, our ability to grow our business could be impaired.

A key aspect of our growth strategy is the establishment of satellite operations, a physical presence in geographic markets (1) in which we have several significant customers or there are several potential customers that have a demand for our products and services and (2) that is supported by inventory, inside salespeople and the general management of one of our larger service centers. We may not be able to identify suitable locations for these operations or enter into agreements to purchase or lease locations upon satisfactory terms. In addition, we could fail to generate, or suffer a loss of, or a decrease in, purchases by one or more significant customers served by a satellite location, which could prevent us from realizing the expected benefits of such satellite location. Any of these occurrences could impair our ability to grow our business.

Labor disruptions could adversely affect our operations.

We have entered into collective bargaining agreements with union locals at our facilities that expire on staggered dates between 2005 and 2010. A work stoppage at one of our facilities that lasts for a significant period of time could cause us to lose sales, incur increased costs and adversely affect our ability to meet customers needs.

Our ability to consummate a change of control transaction could be hampered by the consequences it triggers under our debt instruments, including the required repurchase of our 9 3/4% senior secured notes and the possible acceleration of repayment of our domestic credit facility.

If, in the future, we experience a change of control as defined under the indenture for our 9 3/4% senior secured notes, we are required to make a change of control offer to purchase all of our 9 3/4% senior secured notes issued and then outstanding at a purchase price equal to 101% of the principal amount thereof plus accrued interest thereon, as of the date of purchase. Any change of control under the indenture also would constitute a default under our domestic credit facility pursuant to which the lenders under our credit facility could accelerate and require immediate payment of all of the then outstanding obligations under our credit facility.

If, in the future, we experience a change of control, it is likely that we would be unable to repay all of our obligations under our domestic credit facility, our 9 3/4% senior secured notes and any other indebtedness that might become payable upon the occurrence of the change of control. Accordingly, it is likely that a prospective acquiror of all or substantially all of our assets or of more than 50% of our common stock would, in order to avoid the occurrence of a default under our indebtedness, either fund our purchase of the notes tendered in the required change of control offer or seek to refinance our notes, credit facility and other indebtedness. Such funding or refinancing may have the effect of delaying, deferring or preventing such an acquisition.

If the financial restructuring and this offering result in an ownership change, the availability of certain tax benefits for us will be adversely affected and our tax liability may increase.

We had net operating loss carryforwards, or NOLs, available for U.S. federal income tax purposes of approximately $20.4 million as of December 31, 2004. In addition, significant additional NOLs may be generated as a result of our operations and the repayment of the Holding notes with the proceeds of this offering. However, Holding will likely not be permitted an interest deduction for U.S. federal income tax purposes for accrued but previously non-deductible interest on the Holding notes to the extent that these notes are retired with our stock. The financial restructuring and this offering may result in an ownership change within the meaning of Section 382 of the Internal Revenue Code. If such ownership change occurs, there will be specific limitations on our ability to use our NOLs from periods prior to the financial restructuring and this offering. This could result in an increase in our U.S. federal income tax liability in future taxable periods, which could adversely affect our cash flow from operations.

Holding may recognize cancellation of indebtedness income as a result of the financial restructuring and this offering, which may adversely affect the availability of certain tax benefits for us.

If the fair market value of the EMJ common stock and cash that is issued to retire the Holding notes is less than the amount of such indebtedness (including accrued interest) that is retired, Holding may recognize taxable cancellation of indebtedness income to the extent of this shortfall. Available NOLs may be utilized to offset such cancellation of indebtedness income. However, even if any cancellation of indebtedness income is fully offset by available NOLs, a tax liability may still result for alternative minimum tax purposes. Any NOLs used to offset cancellation of indebtedness income would be unavailable to offset our future operating income.

We are subject to various environmental and employee safety and health regulations, which could subject us to significant liabilities and compliance expenditures

We are subject to extensive federal, state and local environmental laws and regulations concerning air emissions, wastewater discharges, underground storage tanks and solid and hazardous waste disposal at or from our facilities. Our operations are also subject to various employee safety and health laws and regulations, including those concerning occupational injury and illness, employee exposure to hazardous materials and employee complaints. Environmental and employee safety and health regulations are comprehensive, complex and frequently changing. Some of these laws and regulations are subject to varying and conflicting interpretations. We may be subject from time to time to administrative and/or judicial proceedings or investigations brought by private parties or governmental agencies with respect to environmental matters and employee safety and health issues. For example, there are currently remediation and/or investigation activities at certain former facilities where soil and/or groundwater contamination is present, and we have been notified of a potential claim relating to possible off-site contamination of river sediments from one of these facilities, which is our former Forge facility located in Seattle, Washington. As of December 31, 2004, we accrued approximately $0.3 million with respect to the Forge facility for expected environmental investigation and remediation costs in fiscal 2005 for compliance and sampling work in connection with an Administrative Order of Consent (AOC) that we executed at the request of the United States Environmental Protection Agency. We have also accrued $0.5 million for clean-up and monitoring activities we have agreed to undertake at our former facility at Clinton Drive in Houston, Texas. These amounts may not be sufficient to cover our costs under the AOC or

our

agreement with the current owners of the Houston facility or other costs or liabilities that may arise in the future in connection with the Forge facility or the Houston facility.

We also entered into (1) a funding and participation agreement with the current owners of the Forge facility that requires us to fund 85% of the costs incurred in connection with the investigation activities to be performed under the AOC and (2) an agreement with the current owners of the Houston facility to indemnify the owners for pre-existing environmental issues at the Houston facility based on the Texas Commission for Environmental Quality industrial/commercial standards. We do not carry environmental insurance coverage. Proceedings and investigations with respect to environmental matters and any employee safety and health issues could result in substantial costs to us, divert our management s attention and result in significant liabilities, fines or the suspension or interruption of our service center activities. Some of our current properties are located in industrial areas with histories of heavy industrial use. The location of these properties may require us to incur expenditures and to establish environmental liabilities for costs that arise from causes other than our operations. Future events, such as changes in existing laws and regulations or their enforcement, new laws and regulations or the discovery of conditions not currently known to us, could create material compliance or remedial liabilities and costs which may constrain our operations or make such operations more costly.

Our operating results have fluctuated, and are expected to continue fluctuating, depending on the season, and such fluctuations may adversely affect our stock price.

Many of our customers are in seasonal businesses, including customers in the construction equipment and agricultural industries. In addition, our revenues in the months of July, November and December traditionally have been lower than in other months because of increased vacation days and holiday closures for various customers. Consequently, you should not rely on our results of operations during any particular quarter as an indication of our results for a full year or any other quarter. In addition, if analysts and investors inaccurately estimate our results of operations in one or more future quarters and our operating results fall below expectations, our stock price may decline.

The beneficial effects of our company owned life insurance policies will decline in future years as the insured employees die and the value of the remaining policies decreases.

EMJ currently benefits from the net after-tax cash flow effects of its company owned life insurance policies derived from borrowings against the insurance policies, death benefit proceeds and deductibility of interest payments on the insurance policy loans. Based on actuarial analysis, we expect the value of the net benefit to us will begin to decline in 2035 as the number of insured employees who have died increases and aggregate value of the remaining policies decreases.

Risks Relating to Our Indebtedness

Our substantial indebtedness could impair our financial condition and reduce the funds available to us for other purposes and our failure to comply with the covenants contained in our debt instruments could result in an event of default that could adversely affect our operating results.

We are, and after this offering, will continue to be, highly leveraged and have substantial debt service obligations. As of December 31, 2004, on a pro forma basis assuming consummation of the financial restructuring and this offering, our total consolidated debt would have been approximately $346.7 million. Our substantial indebtedness could adversely affect us in the following ways:

our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired;

a significant portion of our cash flow from operations must be dedicated to the payment of interest and principal on our debt, which reduces the funds available to us for our operations or other purposes;

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- some of our debt is, and will continue to be, at variable rates of interest, which may result in higher interest expense in the event of increases in interest rates;
- because we may be more leveraged than some of our competitors, our debt may place us at a competitive disadvantage;
- our leverage will increase our vulnerability to economic downturns and limit our ability to withstand adverse events in our business by limiting our financial alternatives; and
- our ability to capitalize on significant business opportunities and to plan for, or respond to, competition and changes in our business may be limited.

Our debt agreements contain, and any agreements to refinance our debt likely will contain, financial and restrictive covenants that limit our ability to incur additional debt, including to finance future operations or other capital needs, and to engage in other activities that we may believe are in our long-term best interests, including to dispose of or acquire assets. Our failure to comply with these covenants may result in an event of default which, if not cured or waived, could accelerate the maturity of our indebtedness or prevent us from accessing availability under our domestic credit facility. If our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and we may not be able to continue our operations as planned.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

Our annual debt service obligations until March 3, 2010, when our amended and restated domestic credit facility is expected to mature, will be primarily limited to interest payments on our 9 3/4% senior secured notes, our domestic credit facility, our industrial revenue bonds and principal payments on our industrial revenue bonds. The principal payments on our outstanding industrial revenue bonds are approximately $1.2 million in fiscal 2006, $0.7 million in fiscal 2007 and $2.2 million in the aggregate thereafter through fiscal 2010. Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt obligations will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control. For example, we may not generate sufficient cash flow from operations to repay our amended and restated domestic credit facility when it matures in fiscal 2010 or our 9 3/4% senior secured notes when they mature in fiscal 2013. If we do not generate sufficient cash flow from operations to satisfy our debt obligations, we expect to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We may not be able to consummate any such transaction at all or on a timely basis or on terms, and for proceeds, that are acceptable to us. Furthermore, these transactions may not be permitted under the terms of our various debt instruments then in effect. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to timely refinance our obligations on acceptable terms, could adversely affect our ability to serve our customers and could cause us to discontinue our operations as planned. Our amended and restated domestic credit facility is secured by a first priority lien on all of our domestic inventory and accounts receivable. Our ability to refinance our 9 3/4% senior secured notes or seek additional financing could be impaired as a result of this security.

Risks Associated with Purchasing Our Common Stock in this Offering

As a new investor, you will incur immediate and substantial dilution.

If you purchase shares of our common stock in this offering, you will experience an immediate and substantial dilution of $9.87 in pro forma net tangible book value per share of your investment. This means that the price you pay for the shares you acquire in this offering will be

significantly higher than your net tangible book value per share. If we issue additional shares of common stock in the future, you may experience further dilution in the net tangible book value of your shares. Likewise, you will incur additional dilution if the holders of outstanding options to purchase shares of our common stock at prices below our net tangible book value per share exercise their options after this offering. Upon consummation of the financial restructuring, there will be

3,053,668 shares of common stock that will be issuable upon the exercise of outstanding stock options, with a weighted average exercise price of $3.35 per share, and an aggregate of 50,000 shares of common stock that will be issuable upon the exercise of options that we granted to certain non-officer directors on the date of this prospectus at an exercise price equal to the initial public offering price. The contribution after consummation of this offering of up to 2,461,547 shares of common stock to our stock bonus plan in connection with the amended consent order for our stock bonus plan may cause you to incur further dilution.

Sales of a substantial number of shares of our common stock following this offering may adversely affect the market price of our common stock or our ability to raise additional capital.

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that large sales could occur, could cause the market price of our common stock to decline or limit our future ability to raise capital through an offering of equity securities. All of the shares of our common stock outstanding upon consummation of this offering and the financial restructuring will be freely tradable without restriction or further registration under the federal securities laws, unless held by our affiliates within the meaning of Rule 144 under the Securities Act or subject to the lock-up agreements, limitations on the ability of participants to transfer shares of common stock held in our stock bonus plan or transfer restriction agreements described below. Shares held by our affiliates will be restricted securities and will be subject to the volume and manner of sale restrictions of Rule 144. In addition, our certificate of incorporation will permit the issuance of up to 80,000,000 shares of common stock. After this offering, we will have an aggregate of 31,482,890 shares of our common stock authorized but unissued. Thus, we have the ability to issue substantial amounts of common stock in the future, which would dilute the percentage ownership held by the investors who purchase our shares in this offering.

We, each of our directors, each of our executive officers, the Kelso funds and each of their affiliates that will own our common stock following the financial restructuring and this offering, our stock bonus plan and certain other stockholders have agreed for a period of 180 days after the date of this prospectus, subject to extensions in certain limited circumstances, to not, without the prior written consent of Credit Suisse First Boston LLC and Goldman, Sachs & Co., directly or indirectly, offer to sell, sell, pledge or otherwise dispose of any shares of our common stock, subject to certain permitted exceptions. Following the expiration of the lock-up period, all of the shares of common stock subject to these agreements will be available for sale in the public market, subject to the restrictions on sales by affiliates under the Securities Act, limitations on the ability of participants to transfer shares of common stock held in our stock bonus plan and transfer restriction agreements. Pursuant to transfer restriction agreements, our executive officers and district managers have agreed to limit their ability to sell their shares of our common stock for a period of two years after the consummation of this offering. The stock bonus plan limits the ability of participants to sell shares of our common stock in their accounts, including for a period of two years after the consummation of this offering.

Following the effectiveness of the registration statement of which this prospectus forms a part, we intend to file a registration statement on Form S-8 under the Securities Act covering (1) 3,053,668 shares of common stock that will be issuable upon exercise of options under the Holding stock option plan upon our assumption of those options in connection with the consummation of the financial restructuring, (2) 2,425,856 shares of common stock that will be issuable pursuant to our stock incentive plan, which equals 5% of the aggregate number of shares of our common stock that will be outstanding upon completion of the financial restructuring and this offering and (3) the 2,461,547 shares of common stock that we have reserved for issuance to our stock bonus plan pursuant to the special contribution in connection with the amended consent order for the plan. Accordingly, subject to applicable vesting requirements, exercise with respect to options, limitations on the ability of participants to transfer shares of common stock held in our stock bonus plan, the provisions of Rule 144 with respect to affiliates and, if applicable, expiration of the 180-day lock-up agreements and the transfer restriction agreements, shares registered under the registration statement on Form S-8 will be available for sale in the open market. In addition, we have granted the Kelso funds, other Kelso affiliates and Mr. Nelson registration rights with respect to their shares of our common stock, including the 25,205,136 shares of our common stock the Kelso funds and other Kelso affiliates will own upon consummation of this offering and the financial restructuring.

For a more detailed description of additional shares that may be sold in the future, see the sections of this prospectus captioned Shares Eligible for Future Sale and Underwriting.

Because the Kelso funds and other Kelso affiliates will continue to have the ability to control or significantly influence us after this offering and the financial restructuring, your influence as public stockholders over significant corporate actions will be limited and there may be circumstances in which the interests of the Kelso funds and other Kelso affiliates could be in conflict with us or your interests as public stockholders.

After the completion of this offering and the financial restructuring, the Kelso funds and other Kelso affiliates will control approximately 52.0% of our outstanding common stock, or approximately 47.5% if the underwriters exercise their over-allotment option in full. As a result, after this offering and the financial restructuring, the Kelso funds and other Kelso affiliates will continue to have the power to control or significantly influence all matters submitted to our stockholders, including the election of our directors and amendments to our certificate of incorporation. The Kelso funds and other Kelso affiliates also will have the ability to control or significantly influence the approval or disapproval of any transaction that requires the approval of stockholders regardless of whether or not other stockholders believe that any such transaction is in their own best interests. So long as the Kelso funds and other Kelso affiliates continue to own a significant amount of the outstanding shares of our common stock, they will continue to be able to strongly influence our decisions.

Further, in deciding how to vote on matters concerning us, the Kelso funds and other Kelso affiliates may be influenced by interests that conflict with our interests or your interests. These conflicts may not be resolved in our or your favor. For example, the Kelso funds and other Kelso affiliates, through their significant ownership in us, may seek to cause us to take actions that, in their judgment, enhances their investment in us, but which might involve risks to, or otherwise adversely affect, us or you. In addition, after this offering a number of our board members will continue to be affiliated with the Kelso funds. Furthermore, we have agreed with the Kelso funds that for so long as the Kelso funds own in excess of 20% of our issued and outstanding common stock, the Kelso funds will be entitled to designate two directors, and for so long as the Kelso funds own in excess of 10% of our issued and outstanding common stock, the Kelso funds will be entitled to designate one director, to be included in the slate of directors nominated by us for election to our board of directors in our annual proxy statement. These relationships could create or appear to create potential conflicts of interest when these individuals are faced with decisions that could have different implications for us, the Kelso funds and other Kelso affiliates.

Our common stock does not have a trading history, and you may not be able to trade our common stock if an active trading market does not develop.

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on The New York Stock Exchange under the symbol JOR. Although the underwriters have informed us that they intend to make a market in our common stock, they are not obligated to do so, and any market-making may be discontinued at any time without prior notice. Therefore, an active trading market for our common stock may not develop or, if it does develop, may not continue. As a result, the market price of our common stock, as well as your ability to sell our common stock, could be adversely affected. You should not view the initial public offering price as any indication of prices that will prevail in the trading market.

The value of your investment may be subject to sudden decreases due to the potential volatility of the price of our common stock.

The market price of our common stock may be highly volatile and subject to wide fluctuations in response to various factors, which could also cause variations in our quarterly results of operations. These factors may include the factors discussed in other risk factors included in this

prospectus and the following factors:

- press releases or publicity relating to us or our competitors or relating to trends in the metals service industry;
- changes in the legal or regulatory environment affecting our business;

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changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;

the operating and stock performance of other companies that investors may deem comparable;

developments affecting us, our customers or our suppliers;

inability to meet securities analysts and investors quarterly or annual estimates or targets of our performance; and

general domestic or international economic, market and political conditions.

These factors may adversely affect the trading price of our common stock, regardless of our actual operating performance, and could prevent you from selling your common stock at or above the initial public offering price. In addition, the stock markets from time to time experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. In the past, some stockholders have brought securities class action lawsuits against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation, regardless of whether we are ultimately successful, could result in substantial costs and divert management s attention and resources.

Because we do not anticipate paying dividends on our common stock in the foreseeable future, you should not expect to receive dividends on shares of our common stock.

We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business and do not anticipate paying cash dividends on our common stock in the foreseeable future. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our board of directors. In addition, our domestic credit facility prohibits us from paying, and the indenture for our 9 3/4% senior secured notes limits our ability to pay, dividends after the financial restructuring. We are restricted from paying cash dividends and making other distributions to our stockholders under the indenture unless 50% of our consolidated net income, as adjusted, exceeds prior distributions to stockholders, subject to certain other limitations. As a result of these limitations and our expectation that we will not pay dividends in the near future, our common stock may be less attractive to investors that seek dividend payments.

Provisions of our certificate of incorporation and our bylaws could delay or prevent a takeover of us by a third party.

Our certificate or incorporation and our bylaws could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our stockholders, or otherwise adversely affect the price of our common stock and your rights as a holder of our common stock. For example, our certificate of incorporation and bylaws will (1) permit our board of directors to issue one or more series of preferred stock with rights and preferences designated by our board and (2) impose advance notice requirements for stockholder proposals and nominations of directors to be considered at stockholder meetings. These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors other than the candidates nominated by our board. See Description of Capital Stock for additional information on the anti-takeover measures applicable to us. In addition, our domestic credit facility and the indenture for our 9 3/4% senior secured notes contain limitations on our ability to enter into change of control transactions.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have tried to identify these forward-looking statements by using words such as may, will, expect, anticipate, believe, intend, estimate and similar expressions. These forward-looking statements are based on information currently available to us and are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. We have described these risks, uncertainties and other factors in Risk Factors and elsewhere in this prospectus.

You should not place undue reliance on any forward-looking statements. Except as otherwise required by federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this prospectus.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of $164,120,000 from the sale of 17,600,000 shares of common stock (and an additional $24,618,000 from the sale of 2,640,000 shares if the underwriters exercise their over-allotment option in full) at the initial public offering price of $10.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. The net proceeds, before taking into account $2,009,000 of estimated offering expenses payable by us, will be applied pro rata to the payment of the cash consideration for the Holding notes, Holding series A preferred stock and Holding series B preferred stock upon consummation of the financial restructuring in the proportion that their respective amounts bear to the aggregate value of the Holding notes issued and outstanding as of the closing date (including interest accrued through September 29, 2004) and the Holding series A preferred stock and Holding series B preferred stock issued and outstanding as of the closing date (including dividends accrued through September 29, 2004). As of the date of this prospectus, the aggregate value of the Holding notes is $257,069,318, the aggregate value of the Holding series A preferred stock is $47,018,953 and the aggregate value of the Holding series B preferred stock is $27,881,833. Accordingly, approximately 77.4% of the net proceeds will be applied to the Holding notes, 14.2% of the net proceeds will be applied to the Holding series A preferred stock and 8.4% of the net proceeds will be applied to the Holding series B preferred stock.

The following table illustrates our estimated uses of the net proceeds of this offering, before taking into account $2,009,000 of estimated offering expenses payable by us, in connection with the financial restructuring. Net proceeds, if any, from the underwriters exercise of their over-allotment option will be applied pro rata to the payment of the Holding notes, Holding series A preferred stock and Holding series B preferred stock in lieu of the issuance of shares of EMJ common stock. See Prospectus Summary The Offering.

	Amount
Cash payable in exchange for the Holding notes(1)	$ 127,090,410
Cash payable upon conversion of the Holding series A preferred stock(2)	23,245,318
Cash payable upon conversion of the Holding series B preferred stock(3)	13,784,272

(1) The total amount of cash and stock consideration payable in connection with the repayment of the Holding notes is $257,069,318, which is equal to the principal amount plus all accrued and unpaid interest through September 29, 2004. The Holding notes bear interest at the rate of 18% per annum and mature on June 30, 2013.

(2) The total amount of cash and stock consideration payable in connection with the conversion of the Holding series A preferred stock is $47,018,953, which is equal to the aggregate appraised value as of March 31, 2004, plus accumulated and unpaid dividends from April 1, 2004 through September 29, 2004 with respect to 57,573 shares of outstanding Holding series A preferred stock.

(3) The total amount of cash and stock consideration payable in connection with the conversion of the Holding series B preferred stock is $27,881,833, which is equal to the liquidation value of $1,000 per share with respect to 27,882 shares of outstanding Holding series B preferred stock (all accumulated dividends have been paid in-kind through September 29, 2004).

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DIVIDEND POLICY

For each of the fiscal years ended March 31, 2002, 2003 and 2004 and during the first nine months of fiscal 2005, we paid cash dividends totaling $14,963,000, $10,587,000, $5,781,000 and $9,866,000, respectively, to Holding in connection with the repurchase of its capital stock from employees of EMJ whose employment had terminated, which Holding is required to do under the terms of Holding s stockholders agreement and our stock bonus plan, and redemption of stock options from Mr. Nelson, our chief executive officer, and a terminated employee. These obligations will cease upon completion of this offering and the financial restructuring. In addition, we paid a cash dividend of $25,000,000 to Holding in connection with our May 2002 refinancing of certain indebtedness.

We plan to retain all future earnings to finance the development and growth of our business. Therefore, we do not currently anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, our domestic credit facility prohibits us from paying, and the indenture for our 9 3/4% senior secured notes limits our ability to pay, dividends after the financial restructuring. Any future determination as to the payment of dividends will be restricted by these limitations, will be at the discretion of our board of directors and will depend on our financial condition, capital requirements, earnings, any other contractual restrictions and other factors our board of directors considers relevant.

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CAPITALIZATION

The following table shows our consolidated cash and cash equivalents and capitalization as of December 31, 2004:

on an actual basis;

on a pro forma basis to give effect to the financial restructuring to account for the transfer of assets and exchange of shares between entities, EMJ and Holding, under common control. As such, the financial restructuring will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations of Holding will be included in our consolidated financial statements on a historical basis; and

on a pro forma as adjusted basis to give effect to (1) our issuance and sale of 17,600,000 shares of common stock at the initial public offering price of $10.00 per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us; (2) our intended application of the net proceeds of this offering and (3) the consummation of the financial restructuring.

You should read this table together with Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	December 31, 2004		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited)	
	(in thousands, except share data)		
Cash and cash equivalents	$ 5,760	$ 6,133	$ 4,974
Debt			
Short-term debt	$ 2,320	$ 2,320	$ 2,320
Long-term debt			
Domestic credit facility	91,558	91,558	91,558
9 3/4% senior secured notes due June 1, 2012	250,000	250,000	250,000
Industrial development bonds	2,870	2,870	2,870
Variable rate senior notes due June 30, 2013		245,882	
Total long-term debt	344,428	590,310	344,428
Total debt	346,748	592,630	346,748
Stockholders equity (deficit)			
Holding preferred and common stock subject to redemption in certain circumstances		75,494	
Holding series A preferred stock, not subject to redemption		21,217	
Holding series B preferred stock, not subject to redemption		2,316	
Holding common stock		107	
Reclassification to value preferred and common stock subject to redemption in certain circumstances to its redemption price		(16,641)	
Treasury stock		(65,441)	

Preferred stock, $.01 par value; 200 shares authorized and no shares issued, actual, pro forma and pro forma as adjusted			
Common stock, $.01 par value; 2,800 shares authorized and 128 shares issued and outstanding, actual and pro forma; 80,000,000 shares authorized and 48,842,284 shares ($.001 par value) issued and outstanding, pro forma as adjusted			49
Capital in excess of par value	21,194	78,441	350,505
Accumulated other comprehensive loss			
Foreign currency translation adjustment	1,268	1,268	1,268
Additional minimum pension liability	(2,625)	(2,625)	(2,625)
Accumulated deficit	(11,232)	(335,150)	(343,004)
Total stockholders equity (deficit)	8,605	(241,014)	6,193
Total capitalization	$ 355,353	$ 351,616	$ 352,941

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected consolidated financial and other data at the dates and for the periods presented below. We derived the data for the fiscal years ended March 31, 2002, 2003 and 2004 and the data as of March 31, 2003 and 2004 from our audited consolidated financial statements for those periods and as of those dates that are included in this prospectus. We derived the data for the fiscal years ended March 31, 2000 and 2001 and the data as of March 31, 2000, 2001 and 2002 from our audited consolidated financial statements for those periods and as of those dates that are not included in this prospectus. We derived the data for the nine months ended January 1, 2004 and December 31, 2004 and the data as of December 31, 2004 from our unaudited consolidated financial statements for those periods and as of that date that are included in this prospectus and, in the opinion of management, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our results of operations and financial position for such periods. Results for the nine months ended December 31, 2004 are not necessarily indicative of results for the full fiscal year. We derived the data for the 12 months ended December 31, 2004 from our audited consolidated financial statements for the fiscal year ended March 31, 2004 and our unaudited consolidated financial statements for the nine months ended January 1, 2004 and December 31, 2004 that are included in this prospectus. You should read the following information along with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes, which are included elsewhere in this prospectus.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended December 31,
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	2004
	(dollars in thousands, except per share data)							
Statement of Operations Data:						(unaudited)		(unaudited)
Revenues	$ 938,252	$ 1,059,681	$ 895,058	$ 919,927	$ 1,040,367	$ 718,301	$ 1,152,589	$ 1,474,655
Costs of sales	662,803	767,263	641,991	658,562	754,266	518,394	828,735	1,064,607
Gross profit	275,449	292,418	253,067	261,365	286,101	199,907	323,854	410,048
Expenses(1)	208,058	228,542	204,713	210,277	216,629	154,970	220,091	281,750
Income from operations	67,391	63,876	48,354	51,088	69,472	44,937	103,763	128,298
Net interest expense(2)	41,595	44,855	42,545	47,206	51,093	38,205	40,534	53,422
Income before income taxes	25,796	19,021	5,809	3,882	18,379	6,732	63,229	74,876
Net income	23,987	17,798	5,354	2,382	15,252	5,284	52,932	62,900
Pro Forma Data:								
Unaudited pro forma net income (loss) available to common stockholders(3)	$ (5,174)	$ (14,270)	$ (33,263)	$ (42,389)	$ (34,190)	$ (28,035)	$ 25,672	$ 19,517
Unaudited pro forma net income (loss) available to common stockholders per share(3)(4)								
Basic	$ (0.41)	$ (1.14)	$ (2.69)	$ (3.59)	$ (2.96)	$ (2.42)	$ 2.26	$ 1.71
Diluted	$ (0.41)	$ (1.14)	$ (2.69)	$ (3.59)	$ (2.96)	$ (2.42)	$ 1.67	$ 1.35
Unaudited pro forma weighted average shares outstanding(4)								
Basic	12,519	12,548	12,365	11,820	11,555	11,593	11,365	11,381
Diluted	12,519	12,548	12,365	11,820	11,555	11,593	15,417	14,420
Unaudited pro forma net income available to common stockholders per share as adjusted(3)(5)								
Basic					$ 0.48		$ 1.69	
Diluted					$ 0.46		$ 1.63	
Unaudited pro forma weighted average shares outstanding as adjusted(5)								
Basic					31,548		31,358	
Diluted					32,975		32,476	
Cash Flow Data:								
Capital expenditures	$ 9,525	$ 14,475	$ 24,531	$ 15,335	$ 10,530	$ 6,781	$ 19,606	$ 23,355
Dividends paid(6)	13,372	5,514	14,963	35,587	5,781	4,762	9,866	10,885

Other Data (unaudited):								
EBITDA(7)	$ 77,342	$ 74,911	$ 59,803	$ 62,457	$ 80,756	$ 53,425	$ 112,543	$ 139,874
COLI effect(8)	(717)	(2,374)	(1,738)	(1,752)	(561)	(829)	(3,804)	(3,536)
Revenues per employee(9)	484	517	496	539	639	440	693	894
EBITDA per employee(7)(9)	40	37	33	37	50	33	68	85
Average number of employees	1,938	2,051	1,805	1,706	1,628	1,634	1,663	1,649
Tons shipped	601,532	679,610	581,243	603,310	662,213	463,986	571,065	769,292

	March 31,					December 31,
	2000	2001	2002	2003	2004	2004
	(in thousands)					(unaudited)
Balance Sheet Data:						
Cash and cash equivalents	$ 21,660	$ 23,758	$ 21,300	$ 20,030	$ 15,528	$ 5,760
Total working capital	165,148	156,309	154,936	150,205	139,463	226,147
Total assets	464,374	484,264	443,998	490,741	536,480	628,051
Long-term debt	282,943	266,539	289,300	328,207	305,762	344,428
Total debt	285,547	270,184	292,895	330,537	309,738	346,748
Total stockholders equity (deficit)	(14,365)	(3,151)	(15,786)	(48,016)	(37,359)	8,605

(1) Expenses include restructuring charges aggregating $2,432, $3,320, and $1,861 for the fiscal years ended March 31, 2000, 2001 and 2002 in connection with workforce reductions and consolidations and losses from the sale of significant assets in those fiscal years and a special compensation charge of $2,000 in connection with a payment to our chief executive officer in fiscal 2001.

(2) Net interest expense includes amortization and write-off of debt issue costs aggregating $1,482, $1,482, $1,792, $1,416, $1,323, $992, $989 and $1,320 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively, net of interest income of $636, $1,179, $164, $83, $81, $67, $25 and $39 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively.

(3) The total pro forma adjustments to net income (loss) are approximately $(29,161), $(32,068), $(38,617), $(44,771), $(49,442), $(33,319), $(27,260) and $(43,383) for the fiscal years 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively. The adjustments consist of net interest expense for Holding, dividends accrued for the Holding series A preferred stock, dividends declared and paid in-kind for the Holding series B preferred stock and certain management fees charged to EMJ by Holding that are not eliminated in consolidation. The following table presents each of these adjustments for the applicable period.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
						January 1,	December 31,	December 31,
	2000	2001	2002	2003	2004	2004	2004	2004
	(in thousands)					(unaudited)		(unaudited)
Holding interest, net	$ (22,718)	$ (25,096)	$ (29,888)	$ (35,280)	$ (38,834)	$ (25,382)	$ (21,442)	$ (34,894)
Preferred dividends	(6,478)	(7,016)	(8,758)	(9,518)	(10,628)	(7,958)	(5,818)	(8,488)
Management fees	35	44	29	27	20	21		(1)
Total	$ (29,161)	$ (32,068)	$ (38,617)	$ (44,771)	$ (49,442)	$ (33,319)	$ (27,260)	$ (43,383)

EMJ currently has 128 shares of common stock outstanding, all of which are held by Holding. For accounting purposes, our financial restructuring will be accounted for as a transfer of assets and exchange of shares between entities under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations and share data of Holding are included in the pro forma net income (loss) provided on a historical cost basis.

(4) The pro forma basic and diluted per share information is computed based on the weighted average number of shares of common stock outstanding for each reported period. The computation of pro forma diluted per share information includes the dilutive effect of common stock equivalents for outstanding options and warrants exercisable for shares of common stock using the treasury stock method. Upon consummation of the financial restructuring all shares of Holding common stock will be converted to shares of EMJ common stock. The inclusion of common stock equivalents for all periods presented prior to the periods ended December 31, 2004 was antidilutive.

(5) Pro forma net income (loss) available to common stockholders per share information reflects our operations as if the financial restructuring occurred at the beginning of the reported periods. Therefore, the pro forma as adjusted basic per share information reflect per share information as discussed in note 4 and shares of EMJ common stock issuable upon consummation of the financial restructuring as follows: 13,101,547 shares for the Holding notes; 2,492,854 shares for the Holding series A preferred stock; 1,463,594 shares for the Holding series B preferred stock; and 2,934,977 shares for the Holding warrants. See Certain Relationships and Related Transactions Financial Restructuring for further discussion. The computation of pro forma as adjusted diluted per share information includes the dilutive effect of common stock equivalents for outstanding options exercisable for shares of common stock.

(6) Represents dividends paid to Holding in connection with the repurchase of its capital stock from terminated EMJ employees, as required by the terms of Holding s stockholders agreement and our stock bonus plan. In fiscal 2003, we also paid a dividend to Holding of $25,000 to be used to repay a portion of the

Holding notes.

(7) EBITDA represents net income before net interest expense, provision for income taxes and depreciation and amortization. Consistent with Item 10(e) of Regulation S-K promulgated under the Securities Act, our EBITDA has not been adjusted to exclude any other non-cash charges or liabilities, such as LIFO (last-in-first-out) adjustments of $(9,022), $887, $590, $(3,354), $14,343, $500, $42,505 and $56,348 and accruals for stock bonus plan contributions and postretirement benefits aggregating $2,862, $11, $249, $498, $619, $563, $611 and $667 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively. In addition, our EBITDA has not been adjusted for

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the following items: provisions for workforce reductions and consolidations and losses from the sale of significant assets aggregating $2,432, $3,320 and $1,861 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively; special compensation of $2,000 payable to our chief executive officer in fiscal 2001; excise tax of $1,919 related to an IRS settlement in fiscal 2002; and a loss of $12,278 related to early retirement of debt in fiscal 2003. We believe EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of company performance in our industry. Our management believes that EBITDA is useful in evaluating our operating performance between periods and compared to that of our competitors because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary between periods and for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a significant component when measuring our performance in connection with determining incentive compensation. EBITDA is not a recognized measure of operating income, financial performance or liquidity under U.S. generally accepted accounting principles. The items excluded from EBITDA are significant components in understanding and assessing financial performance. Therefore, while providing useful information, our EBITDA should not be considered in isolation or as a substitute for consolidated statement of operations and cash flows data prepared in accordance with U.S. generally accepted accounting principles and should not be construed as an indication of a company s operating performance or as a measure of liquidity. In addition, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA as presented for us may not be comparable to EBITDA reported by other companies. A reconciliation of net income to EBITDA for each of the respective periods indicated is as follows:

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(in thousands)							
Reconciliation of EBITDA:								
Net income	$ 23,987	$ 17,798	$ 5,354	$ 2,382	$ 15,252	$ 5,284	$ 52,932	$ 62,900
Depreciation and amortization	9,951	11,035	11,449	11,369	11,284	8,488	8,780	11,576
Net interest expense	41,595	44,855	42,545	47,206	51,093	38,205	40,534	53,422
Provision for income taxes	1,809	1,223	455	1,500	3,127	1,448	10,297	11,976
EBITDA	$ 77,342	$ 74,911	$ 59,803	$ 62,457	$ 80,756	$ 53,425	$ 112,543	$ 139,874

(8) We are the owner and beneficiary of life insurance policies on (1) all former non-union employees of a predecessor company, including certain current employees of EMJ, and (2) key man life insurance policies on certain current and former executives of EMJ. The effect of these company owned life insurance policies on our pre-tax income and consists of premium expense, policy dividend growth, and proceeds (death benefits) (which are reported as general and administrative expense) and policy interest expense on policy borrowings (which is reported as a component of interest expense). Under current U.S. federal tax law, the policy dividend growth is not currently taxable, the premium is non-deductible, the proceeds (death benefits) are tax exempt and the interest is deductible up to 96% of the contract rate.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(in thousands)							
Calculation of COLI effect:								
Cash surrender value policy dividend growth	$ 14,029	$ 13,010	$ 13,521	$ 17,156	$ 17,751	$ 12,411	$ 15,381	$ 20,721
Cash surrender value insurance premium	(2,101)	(2,217)	(2,325)	(2,866)	(3,081)	(2,544)	(2,756)	(3,293)
Proceeds (death benefits)		1,230	3,062	1,754	4,851	4,359	318	810

Total operating income impact of COLI	11,928	12,023	14,258	16,044	19,521	14,226	12,943	18,238
Cash surrender value interest	(12,645)	(14,397)	(15,996)	(17,796)	(20,082)	(15,055)	(16,747)	(21,774)
Total pre-tax income impact of COLI	$ (717)	$ (2,374)	$ (1,738)	$ (1,752)	$ (561)	$ (829)	$ (3,804)	$ (3,536)

(9) Calculated based on the average number of employees during the applicable period.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion, including estimates and expectations under Overview regarding LIFO charges, quarterly revenues, gross margins, warehouse and delivery expenses and EBITDA (all of which are unaudited), contains forward-looking statements that are based on a number of expectations and assumptions with respect to industry performance, general business, general economic conditions and other matters and involve risks and uncertainties, many of which are beyond our control. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of various factors, including the risks discussed in Risk Factors and elsewhere in this prospectus. See Cautionary Note Regarding Forward-Looking Statements. Our fiscal year ends March 31 of each applicable year.

Overview

We are a leading distributor of metal bar and tubular products used in North American manufacturing processes and have been in business for over 80 years. We purchase over 25,000 different metal products in large quantities from primary producers, including a broad mix of carbon, alloy and stainless steel and aluminum bar, tubular and plate products. We sell these metal products in smaller quantities to over 35,000 customers spanning various industries, including machine tools, industrial equipment, transportation, fluid power, oil, gas and energy, fabricated metal, and construction and agricultural equipment. We distribute our broad range of metal products and provide our customers value-added metal processing and inventory management services from our distribution network of 35 strategically located service and processing centers in the United States and Canada.

The metals service center industry is affected by market demand and metals supply. The most advantageous business conditions for the leading metals service centers in North America that have strong supply relationships with metals producers occur when domestic demand is strong and worldwide supply is limited. After many quarters of weak industrial economic conditions in the United States, the metals service center industry began to experience growth in sales volume and increases in prices during the last calendar quarter of 2003. This growth, which continued throughout 2004, has been due to growing demand for metal products in North America and emerging countries, led by China. This significant increase in demand has changed the balance of supply and demand for metal products, which has correspondingly increased prices and reduced the supply of metals. Another factor currently affecting metal prices and availability in North America is favorable exchange rates that are helping end-users that export their finished products and hurting the supply of traditionally less expensive foreign raw material coming to North America. During the first two quarters of fiscal 2005 our gross margin percentage increased as compared to the same period of fiscal 2004, mainly because of our ability to increase our selling prices to our customers due to the higher costs of most of our products. Improved customer demand, along with limited supplies of many metals and the efforts of our sales force, allowed us to pass through increased pricing to our customers. Our gross margin percentage increased because we passed those price increases on to our customers before we received higher cost material in our inventory. We account for inventory on a LIFO (last-in-first-out) basis and record a LIFO adjustment each quarter based on the anticipated reserve required at March 31 of each fiscal year. During the third and fourth quarters of fiscal 2005, we received higher cost material into our inventory and the rate of mill price increases, along with our selling prices, slowed, which caused our gross margins to decline in the third and fourth quarters of fiscal 2005. Due to fluctuations in the inflation of inventory average costs during fiscal 2005, our interim estimates of the LIFO charge for our inventory for fiscal 2005 did not fully account for the ultimate LIFO charge we expect for fiscal 2005 and thus we will make a LIFO adjustment in the fourth quarter of fiscal 2005. See Cost of Sales for an explanation of our accounting for inventory on a LIFO basis. We estimate the LIFO charge for the fourth quarter of fiscal 2005 will be approximately $32 million and the LIFO charge for the full fiscal year 2005 will be approximately $74 million.

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Our revenues for the fourth quarter of fiscal 2005 were approximately $456 million, which exceeded revenues for the third quarter of fiscal 2005. We anticipate that the gross profit margins for the fourth quarter of fiscal 2005 will be lower than the gross profit margins we recorded in each quarter since April 1, 2000 because of the effect of the LIFO charge described above. We expect that our gross profit margins for the fourth quarter of fiscal 2005 will be approximately 28.9%, excluding LIFO reserve expenses. While we do not expect our warehouse and delivery expenses and selling expenses for the fourth fiscal quarter of fiscal 2005 to vary materially as a percentage of revenues from levels in the prior periods of fiscal 2005, we expect our operating expenses for this quarter will likely increase as a percentage of revenues from levels in the prior periods of fiscal 2005 due to the effect of expenses associated with the financial restructuring and the effect of a non-cash charge to mark to market the 2,461,547 shares of common stock representing the portion of the special contribution to our stock bonus plan that has not yet been contributed. The fair market value of such shares at December 31, 2004 was $6.61 per share. At a fair market value of $10.00 per share at March 31, 2005, which is the initial public offering price per share, the charge for these uncontributed shares would be approximately $8.2 million for the fourth quarter of fiscal 2005. We anticipate that customer demand in calendar 2005 will remain strong, but the greater availability of material and the leveling off of price increases could cause a decline in our gross profit margins and EBITDA (as defined and discussed in footnote 7 under the heading Selected Consolidated Financial and Other Data).

We believe that the metals service center industry will continue to increase its role as a valuable intermediary between primary metals producers and end-users, principally as a result of (1) the metals producers efforts to increase sales to larger volume purchasers in order to increase production efficiency and (2) increased demand by end-users for value-added services in order to reduce their costs and capital expenditures associated with the production process. We also believe that customer demand will continue to be strong and that the availability of certain steel and aluminum will remain tight in the near future. While the tight supply of steel and aluminum could disrupt our ability to meet our customers material requirements, we believe that our extensive inventory of core products, excellent customer service, excellent supplier relationships, broad network of facilities, proprietary technology, automated warehouse system and experienced management team have differentiated, and will continue to differentiate, us in the marketplace.

During the last several years, we have focused our management efforts on automating and reconfiguring our facilities to increase workflow, enhancing our information management systems to improve customer service, and streamlining our management structure, reducing headcount and decreasing corporate overhead to reduce costs. We believe our results reflect these improvements and increased demand for our metal products. For example:

- during fiscal 2004 and the first nine months of fiscal 2005, we handled approximately 7,900 and 8,100 sales transactions per business day, respectively, at an average sale price of approximately $520 and $750 per transaction, respectively;

- our tons shipped from stock inventory during the first nine months of fiscal 2005, which constituted 93.4% of our revenues from the sale of metal products for such period, was 23.1% higher compared to the first nine months of fiscal 2004;

- in the first nine months of fiscal 2005, tons shipped from stock inventory per employee, based on the average number of employees during the first nine months, increased approximately 21% to 343 compared to the first nine months of fiscal 2004;

- in the first nine months of fiscal 2005, our EBITDA (as defined and discussed in footnote 7 under the heading Selected Consolidated Financial and Other Data) per employee, based on the average number of employees in the period, increased 107.0% to $67,675 from the first nine months of fiscal 2004; and

- our operating margin for the first nine months of fiscal 2005 and fiscal 2004 was 9.0% and 6.3%, respectively.

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Revenues

We derive substantially all of our revenues from the sale and processing of metal products. The pricing for most of our sales, which varies substantially across product lines, is set at the time of the sale. We do, however, make approximately 10% of our sales under arrangements that fix the price for a period of time. These arrangements are generally for no more than three months. When we enter into a fixed price arrangement, we typically enter into a corresponding supply arrangement with our supplier to cover the commitment to our customer. These corresponding supply arrangements limit the risk of fluctuating prices negatively impacting our margins on these fixed price arrangements.

Cost of Sales

Our cost of sales consists of the costs we pay for metals and related inbound freight charges. We account for inventory on a LIFO (last-in-first-out) basis. We calculate LIFO adjustments as of March 31 of each fiscal year. Interim estimates of the charge or credit are determined based on inflationary or deflationary purchase cost trends and inventory levels. During periods of extreme fluctuations in the inflation or deflation of inventory average costs, interim LIFO estimates may not fully account for the ultimate charge or credit for our fiscal years ended March 31.

Gross Profit

Historically, we have attempted to maintain our gross profit margins by increasing our prices as the cost of our materials increased. As a result, if prices increase and we are successful in maintaining the same gross profit margin, we generate more gross profit dollars. Conversely, if prices decline and we are not successful in maintaining the same gross profit margin, we will typically generate fewer gross profit dollars. Our average selling price in the first nine months of fiscal 2005 increased 39.2% from the first nine months of fiscal 2004.

Expenses

Our expenses primarily consist of (1) warehouse and delivery expenses, which include occupancy costs, compensation and employee benefits for warehouse personnel, processing, shipping and handling costs, (2) selling expenses, which include compensation and employee benefits for sales personnel, and (3) general and administrative expenses, which include compensation for executive officers and general management, expenses for professional services primarily attributable to accounting and legal advisory services, data communication and computer hardware and maintenance, partially offset by dividend income attributable to our company owned life insurance policies. The majority of our operating expenses are variable and fluctuate with changes in tons shipped. In addition, expenses in fiscal 2003 included a loss on early termination of debt, as described below.

Company Owned Life Insurance

We are the owner and beneficiary of life insurance policies on (1) all former non-union employees of a predecessor company, including certain current employees of EMJ, and (2) key man life insurance policies on certain current and former executives of EMJ and predecessor companies.

These policies, by providing payments to us upon the death of covered individuals and by permitting company borrowings against the cash surrender value of these policies, are designed to provide us cash to repurchase shares held by employees in our stock bonus plan and shares held individually by employees following the termination of their employment. Cash surrender value of the life insurance policies, which was $235.7 million as of December 31, 2004 (against which we have borrowed $203.9 million), increases by a portion of the amount of premiums paid and by dividend income earned under the policies. As specified in the terms of the insurance policies, the rates for dividends payable on the policies correspondingly increase when borrowings are outstanding under the policies. This increase in dividends is greater than the increase in the associated interest expense we incur in connection with borrowing against the cash surrender value of the policies. Dividend income earned under the policies was $17.8 million in fiscal 2004, $17.2 million in fiscal 2003, $13.5 million in fiscal 2002, $15.4 million in the first

nine months of fiscal 2005 and $12.4 million in the first nine months of fiscal 2004 and is reported as an offset to general and administrative expenses in our consolidated statements of operations. The effect of these company owned life insurance policies on our pre-tax income, which we refer to as COLI effect, is discussed in footnote 8 under the heading Selected Consolidated Financial and Other Data.

Segment

We operate in one reportable segment the metals service center industry through our network of 35 service and processing centers strategically located throughout North America, including four service centers in Canada.

Financial Restructuring

This offering is related to the financial restructuring pursuant to which Holding will be merged into a wholly owned subsidiary of EMJ and we will issue our common stock and cash to stockholders and the noteholder of Holding. Net proceeds from this offering will be used to pay the cash portion of such consideration. See Certain Relationships and Related Transactions for additional information about the financial restructuring.

Critical Accounting Policies

The preparation of our consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Management believes the critical accounting policies and areas that require the most significant estimates, assumptions and judgments to be used in the preparation of our consolidated financial statements are revenue recognition, allowances for doubtful accounts, inventory reserves, accounting for stock options, pension and other postretirement benefits, insurance reserves, incentive compensation, contingencies and income tax accounting. Because of the uncertainty inherent in these matters, actual results could differ significantly from the estimates, assumptions and judgments we use in applying these critical accounting policies.

Revenue Recognition

We recognize revenue when products are shipped to our customers, title has passed and collectibility is reasonably assured. Revenues are shown net of returns and allowances, which historically have been less than 0.2% of annual revenues.

Allowances for Doubtful Accounts

Accounts receivable consist primarily of amounts due to us from our normal business activities. We establish allowances for doubtful accounts based on estimates of losses related to customer receivable balances. We develop estimates by using formulas or standard quantitative measures

based on accounts aging, historical losses (adjusted for current economic conditions) and, in some cases, evaluating specific customer accounts for risk of loss. We assess our allowances for doubtful accounts on a quarterly basis. Our provision for estimated losses and our write-offs for doubtful accounts recorded during each of the fiscal years ended March 31, 2002, 2003 and 2004 were less than 0.5% of each fiscal year s revenues. However, significant changes in conditions in specific markets that we serve that result in the deterioration of the financial condition of our customers in those markets and, therefore, negatively impact those customers ability to make payments to us, could require an increase in our allowances or cause our allowances to be insufficient to cover actual write-offs.

Inventory Reserves

Inventories largely consist of raw material purchased in bulk quantities from various mill suppliers to be sold to our customers. An allowance for excess inventory is maintained to reflect the expected unsaleability of

specific inventory items based on condition, recent sales activity and projected market demand. This allowance represented less than 2% of our total inventory as of March 31, 2002, 2003 and 2004.

Accounting for Stock Options.

The financial statements for the reporting periods prior to April 1, 2004 account for employee stock-based compensation plans under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and related Financial Accounting Standards Board (FASB) interpretations. Accordingly, compensation costs for employee stock options were measured as the excess, if any, of the estimated market price of Holding common stock at the date of grant over the appraised value, as of the latest valuation date, of the common stock on the date of grants.

During the third quarter ended December 31, 2004, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, under the modified-prospective transition method, for all employee awards granted, modified or settled after April 1, 2004, as permitted by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure An Amendment of FASB Statement No. 123*. In accordance with SFAS No. 123, we estimated the fair value of options using an option-pricing model that takes into account assumptions such as the dividend yield, the risk-free interest rate, and the expected life of the options. Our common stock is not currently traded on a national securities exchange or an over-the-counter market, and therefore an effectively zero percent volatility was used. The dividend yield is excluded from the calculation, as it is our present intention to retain all future earnings. As a result of the adoption of SFAS No. 123, and in accordance with its provisions, we recorded a non-cash stock compensation charge of $1,557,000 in the third quarter of fiscal 2005 for the modifications, as defined in SFAS No. 123, made to outstanding Holding options during the quarter. See Management Holding Stock Option Plan for a discussion of the modification to outstanding Holding options.

Pension and Other Postretirement Benefits

We develop our pension and other postretirement benefit costs and credits from actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets. We are required to consider current market conditions, including changes in interest rates, in selecting these assumptions. Changes in the related pension and other postretirement benefit costs or credits may occur in the future due to changes in the assumptions, as well as due to fluctuations in our related headcount. In April 2004, we made an annual contribution of $700,000 to our hourly employee pension plan as a result of changes in assumptions. We expect to make annual payments of $700,000 over the next four years and $400,000 thereafter to meet Employee Retirement Income Security Act of 1974, or ERISA, minimum pension funding requirements.

Insurance Reserves

Our insurance for workers compensation, general liability, vehicle liability and, to a certain extent, health care are effectively self-insured. We use third-party administrators to process all such claims. Our third-party administrators use claims for worker s compensation, along with other factors, to establish reserves required to cover our worker s compensation liability. We also maintain reserves to cover expected medical claims to be paid subsequent to the end of a plan year or upon termination of the plan. Our management reviews our reserves associated with the exposure to these self-insured liabilities for adequacy at the end of each reporting period.

Incentive Compensation

Management incentive plans are tied to various financial performance metrics. Bonus accruals made throughout the year are based on management s best estimate of the achievement of the specific financial metrics. We make adjustments to the accruals on a quarterly basis as forecasts of financial performance are updated. At year-end, we adjust the accruals to reflect the actual results achieved.

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Contingencies

We are subject to proceedings, lawsuits and other claims related to environmental, labor, product and other matters. We assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses. We make a determination of the amount of reserves required, if any, for these contingencies after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

Income Taxes

We estimate our current tax liability after considering our temporary differences resulting from differing treatment of items, such as depreciation, for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we will establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we will include and expense the allowance within the tax provision in our statement of operations. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets.

Results of Operations

The following table sets forth selected operating results, including as a percentage of revenues, for the periods indicated:

	Fiscal Year Ended March 31,						Three Months Ended				Nine Months Ended			
							January 1,		December 31,		January 1,		December 31,	
	2002	%	2003	%	2004	%	2004	%	2004	%	2004	%	2004	%
	(dollars in thousands)													
Statement of Operations Data:														
Revenues	$ 895,058	100.0%	$ 919,927	100.0%	$ 1,040,367	100.0%	$248,785	100.0%	$ 401,683	100.0%	$ 718,301	100.0%	$ 1,152,589	100.0%
Gross profit	253,067	28.3	261,365	28.4	286,101	27.5	68,805	27.7	107,751	26.8	199,907	27.8	323,854	28.1
Expenses	204,713	22.9	210,277	22.9	216,629	20.8	54,102	21.7	91,347	22.7	154,970	21.6	220,091	19.1
Income from operations	48,354	5.4	51,088	5.6	69,472	6.7	14,703	5.9	16,404	4.1	44,937	6.3	103,763	9.0
Net interest expense	42,545	4.8	47,206	5.1	51,093	4.9	12,995	5.2	14,101	3.5	38,205	5.3	40,534	3.5
Income before income taxes	5,809	0.6	3,882	0.4	18,379	1.8	1,708	0.7	2,303	0.6	6,732	0.9	63,229	5.5
Net income	5,354	0.6	2,382	0.3	15,252	1.5	1,237	0.5	4,285	1.1	5,284	0.7	52,932	4.6

Three Months Ended December 31, 2004 Compared to Three Months Ended January 1, 2004

Revenues. Revenues for the third quarter of fiscal 2005 increased 61.5% to $401.7 million, from $248.8 million for the same period in fiscal 2004, reflecting a 14.1% increase in tons shipped from stock inventory and a 51.1% increase in average selling prices when compared to the third quarter of fiscal 2004. Revenues from our domestic operations increased 60.8% to $372.0 million in the third quarter of fiscal 2005, from $231.4 million for the same period in fiscal 2004. The increase was due to stronger demand for products sold to customers in certain industries we serve, including fluid power, machine tools, metal service centers and wholesale trade and industrial equipment, partially offset by a decline in demand from customers in transportation. Revenues from our Canadian operations increased 70.7% to $29.7 million in the third quarter of fiscal 2005, from $17.4 million in the same period in fiscal 2004, due to increased capacity and efficiencies from newer facilities, effective marketing of core products and services and overall stronger economic conditions. Revenues for the third quarter were higher than

our second quarter, which is a departure from the seasonal slow down that we have historically experienced in the third quarter. While our tons shipped reflected the seasonal pattern, the higher price of materials that we passed on to customers in higher prices for our products caused revenues to increase over the second quarter of fiscal 2005.

Gross Profit. Gross profit for the third quarter of fiscal 2005 increased 56.7% to $107.8 million, from $68.8 million for the same period in fiscal 2004, while gross margins were 26.8% and 27.7%, respectively. Our gross profit increased due to improved customer demand and market conditions. Our gross margins decreased primarily due to industry wide price increases in the cost of metals and a slight increase in competitive conditions. Such price increases were reflected in our inventory purchases resulting in a charge of $18.1 million in the third quarter of fiscal 2005 to cost of sales to value inventory on a last-in-first-out basis (LIFO), compared to $0.5 million in the same period in fiscal 2004. Gross profit and gross margin from our domestic operations were $99.7 million and 26.8%, respectively, during the third quarter of fiscal 2005, compared to $64.5 million and 27.9%, respectively, for the same period in fiscal 2004. Gross profit and gross margin from our Canadian operations were $8.1 million and 27.3%, respectively, during the third quarter of fiscal 2005, compared to $4.3 million and 24.7%, respectively, for the same period in fiscal 2004.

Expenses. Total operating expenses for the third quarter of fiscal 2005 increased 68.8% to $91.3 million, from $54.1 million for the same period in fiscal 2004. As a percentage of revenues, operating expenses were 22.7% in the third quarter of fiscal 2005, compared to 21.7% for the same period in fiscal 2004. Operating expenses were impacted in the third quarter of fiscal 2005 by the $17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares, based on the market price of our common stock, at the end of each reporting period; the fair market value of these 2,461,547 uncontributed shares at December 31, 2004 was $6.61 per share), the $6.3 million termination fee paid to Kelso in connection with an amendment to our financial advisory agreement with Kelso, the $3.5 million performance bonus paid to Mr. Nelson, our chief executive officer, and the non-cash charge of $1.6 million in connection with the adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and modification of terms of existing options. Additionally, increases in operating expenses generally reflects the changes in variable expenses as impacted by higher tons shipped, rising prices for freight and fuel, higher compensation and benefit costs, higher repair and maintenance costs for building and equipment and costs associated with the relocation and improvement of certain facilities. These higher expenses were partially offset by net gains from the sale of redundant properties in Houston and Tulsa and lower leased equipment expense. Fiscal 2004 third quarter expenses were partially offset by income attributable to our company owned life insurance programs.

Warehouse and delivery expenses for the third quarter of fiscal 2005 increased 18.3% to $40.0 million, from $33.8 million for the same period in fiscal 2004. As a percentage of revenues, warehouse and delivery expenses were 10.0% in the third quarter of fiscal 2005, compared to 13.6% for the same period in fiscal 2004. The increase in these expenses resulted primarily from higher freight and fuel prices due to higher tons shipped, higher compensation and benefits costs and higher equipment and building maintenance costs, partially offset by lower leased equipment expense.

Selling expenses for the third quarter of fiscal 2005 increased 15.5% to $9.7 million, from $8.4 million for the same period in fiscal 2004, and decreased as a percentage of revenues to 2.4% in the third quarter of fiscal 2005 from 3.4% in the third quarter of fiscal 2004. The increase in selling expenses resulted from higher incentive accruals for sales personnel due to record sales levels, overtime and vehicle lease expense. Selling incentives, however, have been declining quarterly since the first quarter of fiscal 2005 as the comparable growth levels used to calculate the incentives decrease. For example, selling incentives decreased by 54.0% for the third quarter of fiscal 2005 from the second quarter of fiscal 2005. Beginning the second quarter of fiscal 2005, selling incentives have been based on an inflation-adjusted growth for fiscal 2006 and are expected to return to more traditional levels.

General and administrative expenses for the third quarter of fiscal 2005 increased 250.4% to $41.7 million, from $11.9 million for the same period in fiscal 2004. These expenses were 10.4% of revenues in the third quarter

of fiscal 2005 and 4.8% of revenues in the same period in fiscal 2004. General and administrative expenses include the $17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares, based on the market price of our common stock, at the end of each reporting period; the fair market value of these 2,461,547 uncontributed shares at December 31, 2004 was $6.61 per share), the $6.3 million termination fee paid to Kelso in connection with an amendment to our financial advisory agreement with Kelso, the $3.5 million performance bonus paid to Mr. Nelson, our chief executive officer, and the non-cash charge of $1.6 million for our adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and modification of terms of existing options. Additionally, increases in general and administrative expenses resulted from higher compensation and costs associated with the relocation and improvement of certain facilities, partially offset by a net gain from the sale of redundant properties. Fiscal 2004 expenses included costs associated with the corporate office move from Brea, California to Lynwood, California, partially offset by income attributable to our company owned life insurance programs.

As soon as practicable after, and conditioned upon consummation of the financial restructuring and this public offering, we have committed to pay a taxable public offering bonus of $8.5 million to our employees on the closing date who are also participants in the stock bonus plan. Our expenses for the first quarter of fiscal 2006 will be adversely impacted by this charge.

Net Interest Expense. Net interest expense was $14.1 million during the third quarter of fiscal 2005 and $13.0 million during the same period in fiscal 2004. These amounts include interest related to our long-term debt and borrowings against the cash surrender value of company owned life insurance policies we maintain, and the amortization of debt issue costs ($0.3 million in the third quarter of fiscal 2005 and $0.3 million in the third quarter of fiscal 2004).

During the third quarter of fiscal 2005, the average outstanding indebtedness (excluding borrowings against the cash surrender value of our company owned life insurance policies) was $369.7 million versus $363.3 million during the same period in fiscal 2004. The weighted-average interest rate on such indebtedness during the third quarter of fiscal 2005 was 8.0% versus 7.7% during the same period in fiscal 2004. The average borrowings under our domestic credit facility in the third quarter of fiscal 2005 increased to $115.1 million from $107.1 million in the same period of fiscal 2004, and the average interest rate on such borrowings was 5.0% and 4.0%, respectively. The increase in average borrowings reflected the increased demand and pricing for the products we sell, which resulted in significant increases in inventory and accounts receivable.

The outstanding borrowings against the cash surrender value of our company owned life insurance policies were $203.9 million at December 31, 2004 and $183.0 million at January 1, 2004, and the total interest expense on these borrowings increased to $6.0 million during the third quarter of fiscal 2005, compared to $5.2 million for the same period in fiscal 2004. These increases resulted primarily from additional borrowings of $21.6 million against the increased cash surrender value of our company owned life insurance policies in the first nine months of fiscal 2005 to pay annual premiums on the policies and to pay interest on previous borrowings, as described under Liquidity and Capital Resources below.

Income Taxes. We realized an income tax benefit of $2.0 million for the third quarter of fiscal 2005, compared to a tax expense of $471,000 for the same period in fiscal 2004. Our tax benefit for the three months ended December 31, 2004 of $2.0 million was due to the reduction in our estimated annual taxable income and the resultant reduction in our estimated effective tax rate for federal, state, and foreign income taxes. The reduction in our estimated effective annual tax rate required us to record a benefit so that our year-to-date effective tax rate approximates our estimated effective annual tax rate. The reduction in estimated annual income was primarily due to the $17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares, based on the market price of our common stock, at the end of each reporting period; the fair market value of these 2,461,547 uncontributed shares at December 31, 2004 was $6.61 per share); the charge for the $3.5 million performance bonus paid to Mr. Nelson, our chief executive officer; the non-recurring charge for the $6.3 million termination fee paid to Kelso in

connection with an amendment to our financial advisory agreement with Kelso; and the non-cash charge of $1.6 million in connection with our adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and the modification of terms of existing options.

The tax expense for the third quarter of fiscal 2004 included provisions for state franchise and foreign income taxes only, as our federal tax provisions were offset by recognition of tax benefits associated with our net loss carryforwards.

Nine Months Ended December 31, 2004 Compared to Nine Months Ended January 1, 2004

Revenues. Revenues for the first nine months of fiscal 2005 increased 60.5 % to $1,152.6 million, from $718.3 million for the same period in fiscal 2004, reflecting a 23.1% increase in tons shipped from stock inventory and a 39.2% increase in average selling prices when compared to the first nine months of fiscal 2004. Revenues from our domestic operations increased 60.3% to $1,075.2 million in the first nine months of fiscal 2005, from $670.6 million for the same period in fiscal 2004. The increase was due to stronger demand for products sold to customers in certain industries we serve, including screw machine products, fluid power, machine tools and fabricated metal. Revenues from our Canadian operations increased 62.3% to $77.4 million in the first nine months of fiscal 2005, from $47.7 million in the same period in fiscal 2004, due to increased capacity and efficiencies from newer facilities, effective marketing of core products and services and overall stronger economic conditions.

Gross Profit. Gross profit for the first nine months of fiscal 2005 increased 62.0% to $323.9 million, from $199.9 million for the same period in fiscal 2004, while gross margins were 28.1% and 27.8%, respectively. Our gross profit and gross margins increased due to improved customer demand and market conditions, primarily in the first six months of fiscal 2005 when limited supplies of many of the products we sell allowed us to pass through increased pricing to our customers before we received higher cost metal products in our inventory. Our increased cost of metals resulted in a charge to cost of sales to record results on a last in first out basis (LIFO) of $42.5 million in the first nine months of fiscal 2005, compared to $0.5 million in the same period in fiscal 2004. Gross profit and gross margin from our domestic operations were $302.4 million and 28.1%, respectively, during the first nine months of fiscal 2005, compared to $188.3 million and 28.1%, respectively, for the same period in fiscal 2004. Gross profit and gross margin from our Canadian operations were $21.5 million and 27.8%, respectively, during the first nine months of fiscal 2005, compared to $11.6 million and 24.3%, respectively, for the same period in fiscal 2004.

Expenses. Total operating expenses for the first nine months of fiscal 2005 increased 42.0% to $220.1 million, from $155.0 million for the same period in fiscal 2004. As a percentage of revenues, operating expenses were 19.1% in the first nine months of fiscal 2005, compared to 21.6% for the same period in fiscal 2004. Operating expenses were impacted in the first nine months of fiscal 2005 by the $17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares, based on the market price of our common stock, at the end of each reporting period; the fair market value of these 2,461,547 uncontributed shares at December 31, 2004 was $6.61 per share), the $6.3 million termination fee paid to Kelso in connection with an amendment to our financial advisory agreement with Kelso, the $3.5 million performance bonus paid to Mr. Nelson, our chief executive officer, and the non-cash charge of $1.6 million in connection with our adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and the modification of terms of existing options. Additionally, increases in operating expenses for the first nine months of fiscal 2005 generally reflect the changes in variable expenses impacted by higher tons shipped, rising prices for freight and fuel and higher compensation and benefit costs.

Warehouse and delivery expenses for the first nine months of fiscal 2005 increased 17.6% to $116.1 million, from $98.7 million for the same period in fiscal 2004. As a percentage of revenues, warehouse and delivery expenses were 10.1% in the first nine months of fiscal 2005, compared to 13.7% for the same period in fiscal 2004. The increase in these expenses resulted primarily from higher freight and fuel prices due to higher tons

shipped, higher overtime and temporary labor expense and higher equipment and building maintenance expenses, partially offset by lower leased equipment expense. In addition, we recorded a $1.5 million charge in the first nine months of 2005 to reserve for specialized equipment operating lease obligations related to a parts fabrication contract that was terminated early by the customer.

Selling expenses for the first nine months of fiscal 2005 increased 40.0% to $35.0 million, from $25.0 million for the same period in fiscal 2004, and decreased as a percentage of revenues to 3.0% in the first nine months of fiscal 2005 from 3.5% in the first nine months of fiscal 2004. The increase in selling expenses resulted from higher incentive accruals for sales personnel due to record sales levels.

General and administrative expenses for the first nine months of fiscal 2005 increased 120.8% to $69.1 million, from $31.3 million for the same period in fiscal 2004. These expenses were 6.0% of revenues in the first nine months of fiscal 2005 and 4.4% of revenues in the same period of fiscal 2004. Operating expenses were impacted in the third quarter of fiscal 2005 by the $17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares, based on the market price of our common stock, at the end of each reporting period; the fair market value of these 2,461,547 uncontributed shares at December 31, 2004 was $6.61 per share), the $6.3 million termination fee paid to Kelso in connection with an amendment to our financial advisory agreement with Kelso, the $3.5 million bonus paid to Mr. Nelson, our chief executive officer, and the non-cash charge of $1.6 million in connection with our adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and the modification of terms of existing options. Additionally, increases in these expenses resulted from higher compensation expense and costs associated with the relocation and improvement of certain facilities. Expenses for the first nine months of fiscal 2005 and fiscal 2004 were partially offset by a gain on sale of redundant real estate of $2.2 million and $1.1 million, respectively. Fiscal 2004 expenses were offset by income recognized in connection with our company owned life insurance programs.

Net Interest Expense. Net interest expense was $40.5 million during the first nine months of fiscal 2005 and $38.2 million during the same period in fiscal 2004. These amounts include interest related to our long-term debt and borrowings against the cash surrender value of company owned life insurance policies we maintain, and the amortization of debt issue costs ($1.0 million in the first nine months of fiscal 2005 and 2004).

During the first nine months of fiscal 2005, the average outstanding indebtedness (excluding borrowings against the cash surrender value of our company owned life insurance policies) was $369.3 million versus $361.2 million during the same period in fiscal 2004. The weighted average interest rate on such indebtedness during the first nine months of fiscal 2005 was 8.0% versus 7.9% during the same period in fiscal 2004. The average borrowings under our domestic credit facility in the first nine months of fiscal 2005 increased to $114.0 million from $104.3 million in the same period of fiscal 2004, and the average interest rate was 4.5% for the first nine months of fiscal 2005 compared to 4.0% in the same period in fiscal 2004. The increase in average borrowings reflected the increased demand and pricing for the products we sell, which resulted in significant increases in inventory and accounts receivable.

The outstanding borrowings against the cash surrender value of our company owned life insurance policies were $203.9 million at December 31, 2004 and $183.0 million at January 1, 2004, and the total interest expense on these borrowings increased to $16.7 million during the first nine months of fiscal 2005, compared to $15.1 million for the same period in fiscal 2004. These increases resulted primarily from additional borrowings of $21.6 million against the increased cash surrender value of our company owned life insurance policies in the first nine months of fiscal 2005 to pay annual premiums on the policies and to pay interest on previous borrowings, as described under Liquidity and Capital Resources below.

Income Taxes. Income tax expense for the first nine months of fiscal 2005 was $10.3 million compared to $1.4 million for the first nine months of fiscal 2004. Our effective tax rate for fiscal 2005 is estimated at 16.3%, and is based on our estimated annual taxable income tax rate for fiscal 2005, compared to an effective tax rate of

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21.5% in 2004. Income tax expense for fiscal 2005 includes provisions for federal, state franchise, and foreign income taxes, and fiscal 2004 tax expense includes provisions for state franchise and foreign income taxes. The reduction in the effective tax rate in fiscal 2005 when compared to fiscal 2004, was due to our Canadian pretax income, which is taxed at a higher tax rate, making up a larger portion of consolidated pretax income in fiscal 2004. The federal tax rate for the first nine months of fiscal 2005 was 7.6% of domestic pretax income, and was lower than the U.S. federal statutory tax rate primarily due to recognition of tax benefits associated with the utilization of loss carryforwards.

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Revenues. Revenues for fiscal 2004 increased 13.1% to $1,040.4 million, compared to $919.9 million in fiscal 2003. Revenues from our domestic operations increased 12.1% to $970.4 million in fiscal 2004, compared to $865.5 million in fiscal 2003, primarily as the result of an increase in tons shipped. The increase in tons shipped by our domestic operations was attributable to increased demand for our products sold to customers in certain indu